Capital Markets Strategy
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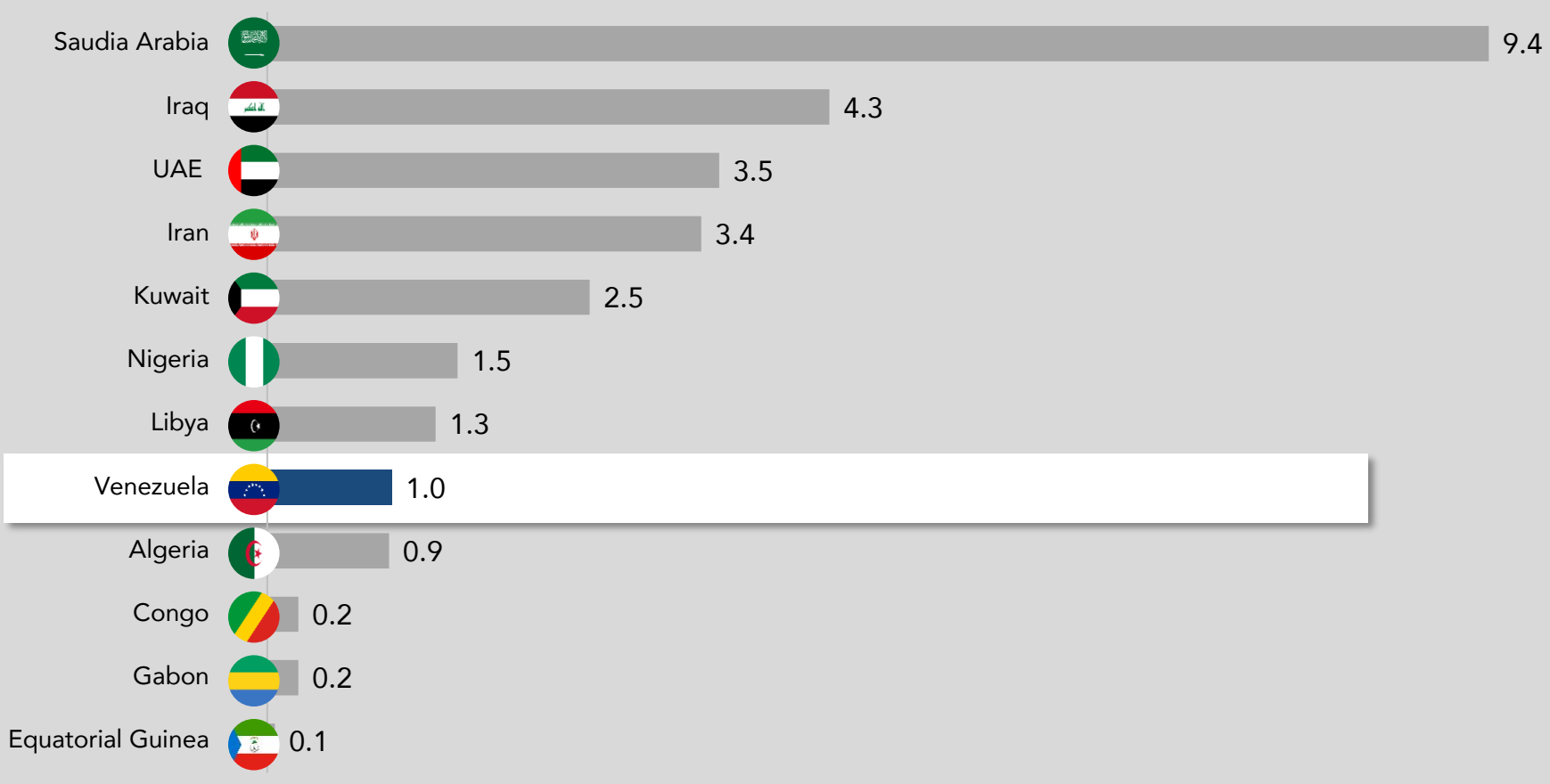
Chart of the Day

OPEC Reaffirmed Its Current Production Quota

At a brief meeting on Sunday, January 4th, one day after US military action in Venezuela, OPEC+ left its existing production quota unchanged through at least the end of March 2026. In doing so, member states signaled it was too early to fundamentally alter policy. Given that any substantive increase in Venezuelan oil supply is likely to take years, **OPEC prioritized market stability over the near term, with some analysts framing the decision as "managing continuity."**

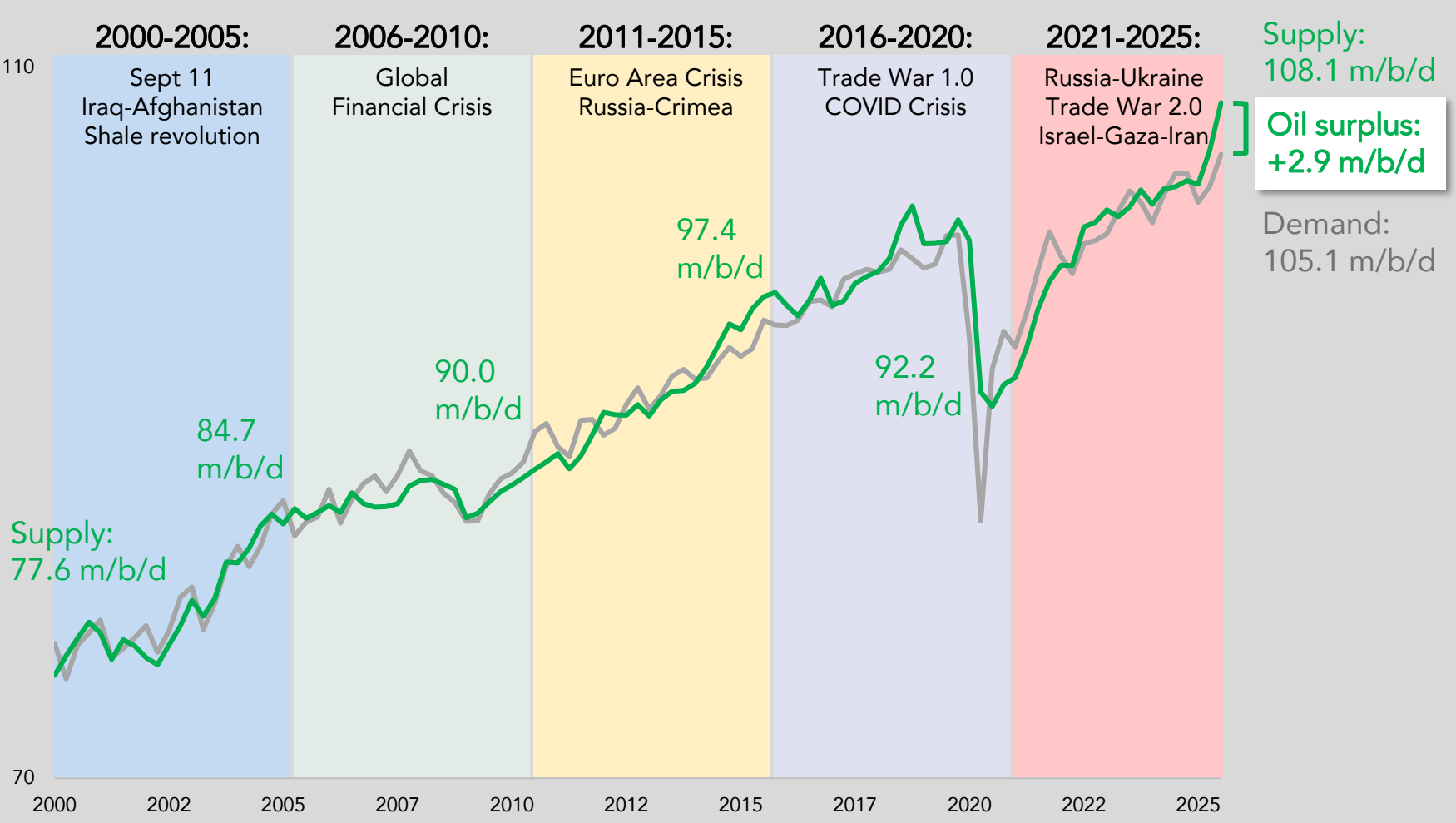
OPEC crude oil production, m/b/d



The Most Well-Supplied Oil Market in Modern History

At nearly 3 m/b/d currently, global oil markets are in what some have called **the most well-supplied oil market in modern history**. Against a backdrop of increased non-OPEC (US, Canada, Brazil, Guyana) and OPEC+ supply in 2025, and structurally lagging demand (weaker macro momentum, China demand shifts), the International Energy Agency (IEA) is projecting an oil surplus of 3.8 - 3.9 m/b/d in 2026. This, in turn, has driven Brent and WTI oil prices down to multi-year lows even as geopolitical risk remains high.

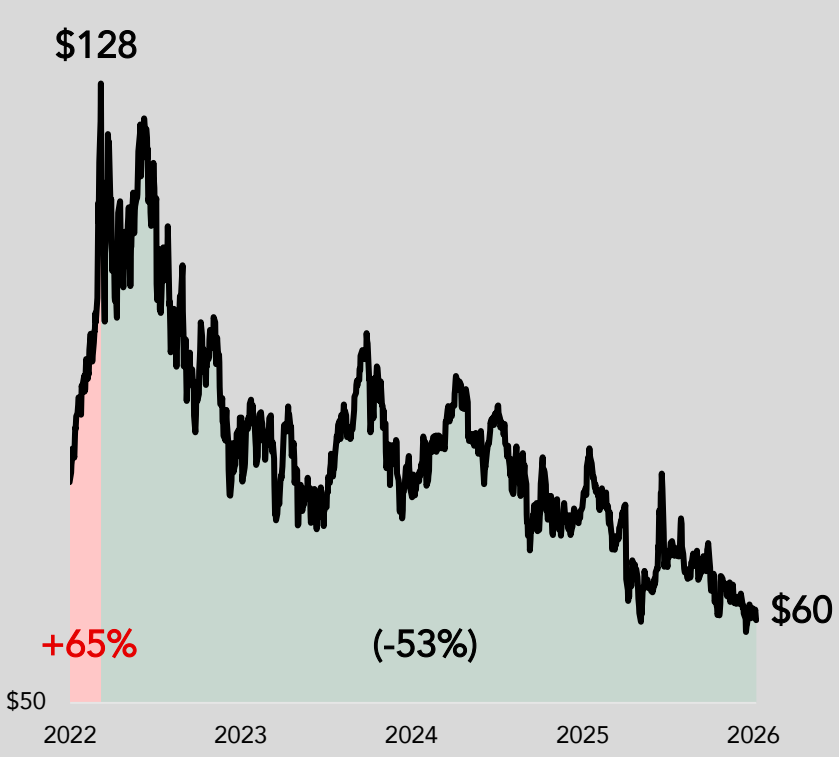
Global oil demand and supply, million barrels per day



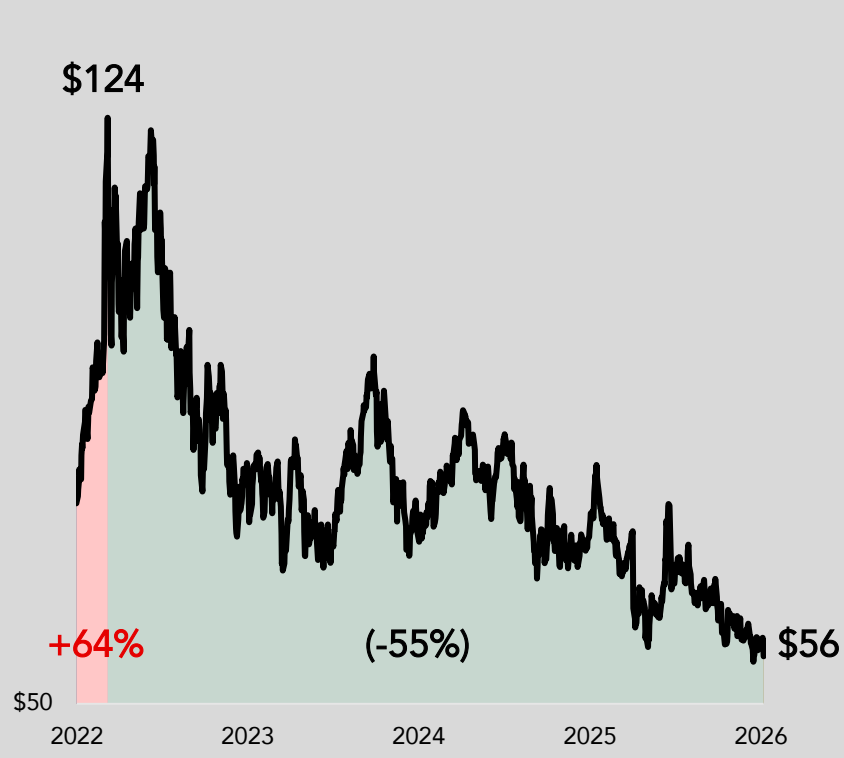
Low Oil Prices Increase Foreign Policy Risk Appetite

The more assertive foreign policy positions of President Trump's second term are closely connected to the macroeconomic and market backdrop. Specifically, the combination of **over-supplied global energy markets and low oil prices provide a low ceiling on the macroeconomic cost of geopolitical escalation.** An easing of financial conditions also increases policy flexibility (equity market highs, Fed easing, range-bound rates, tight credit spreads and a weaker dollar). Following strikes in **Iraq** in March 2025, **Yemen's** Houthi rebels in May, **Iran's** nuclear facilities in June, sanctions on **Russian** oil companies Rosneft and Lukoil in October, **Nigeria** and **Syria** strikes in December and **Venezuela** in January 2026, we expect an emboldened President Trump to continue on this path in 2026 (with increased focus on **Western Hemisphere** priorities).

Brent since Jan 1, 2022



WTI since Jan 1, 2022



Source: (1) US EIA Short Term Energy Outlook – December 2025. (2-4) Bloomberg. Data as of January 7, 2026. Oil supply and demand data through Q3 2025.

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"Macro stability isn't everything, but without it, you have nothing."