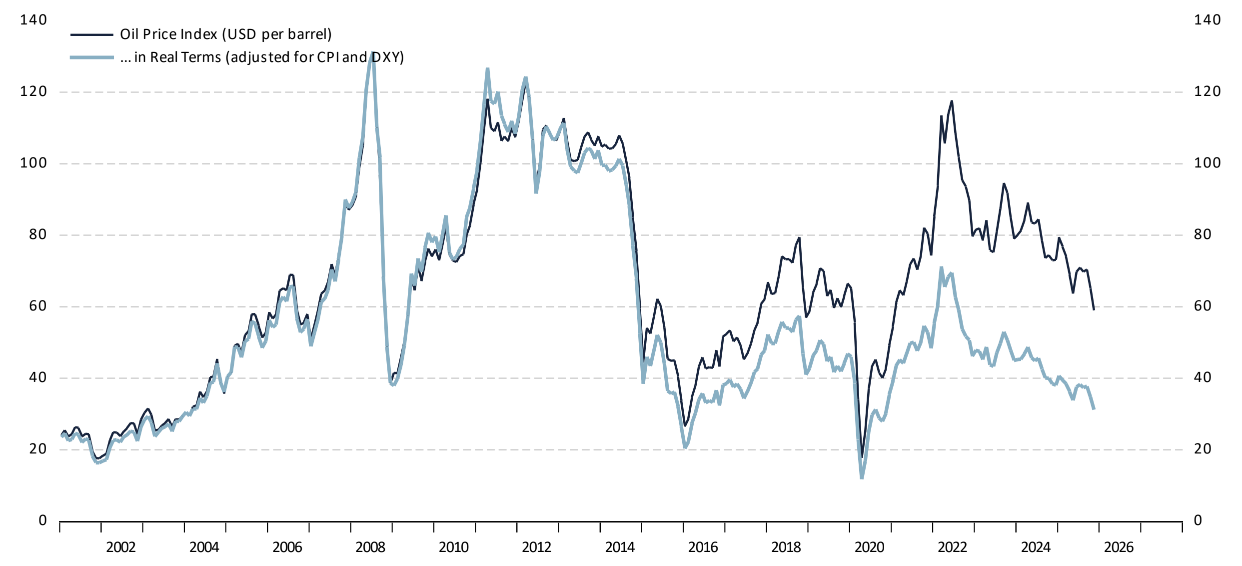
weekly investment focus

The flexiweekly that reaches new heights - published on 8 December 2025

"THE FUTURE OF BLACK GOLD LOOKS ROSY"

- Oil prices have fallen for good reasons, with supply outstripping demand
- They have reached a level that requires production to be reduced
- Traders will soon be looking to take advantage of a rebound
- Oil companies will benefit, even though they have held up well recently

CHART OF THE WEEK: "Adjusted for inflation and the dollar, the price of WTI is very low"



Source: Bloomberg, Altitude IS

FINANCIAL MARKETS ANALYSIS

The price of a barrel of black gold has fallen sharply in recent years. After briefly exceeding $120 in June 2022 during the powerful post-pandemic economic recovery, oil prices have continued to fall. Slowly but surely, **the iconic American West Texas Intermediate (WTI) eventually fell below the symbolic threshold of $60.** Its European counterpart, North Sea Brent, was not far behind. These price levels are historically very low, although they remain higher than those prevailing between 2014 and 2017. At that time, the rise of American shale oil, combined with OPEC's refusal to cut production to put pressure on high-cost producers, ultimately led to a significant excess of supply. This strategy did not work, however, as American companies extracting shale oil managed to improve their productivity in record time.

Oil prices are usually influenced by the geopolitical environment and global economic dynamics. While the former is difficult to anticipate, the latter is much more predictable. WTI and Brent prices therefore logically declined as growth slowed in China, then in the Eurozone and, since 2025, in the United States. Our analysis shows that global annual growth of more than 3% is needed for oil prices to rise. Otherwise, they fall at a rate of 30% for every 1% decline in growth (see Fig. 2).

Fig. 2 – Oil prices and global growth

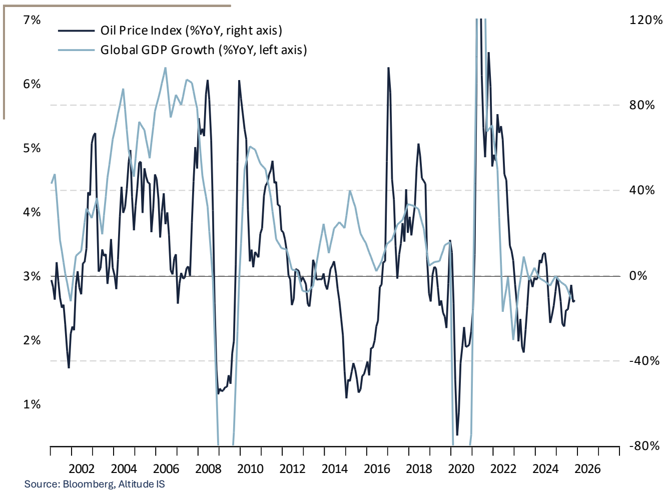
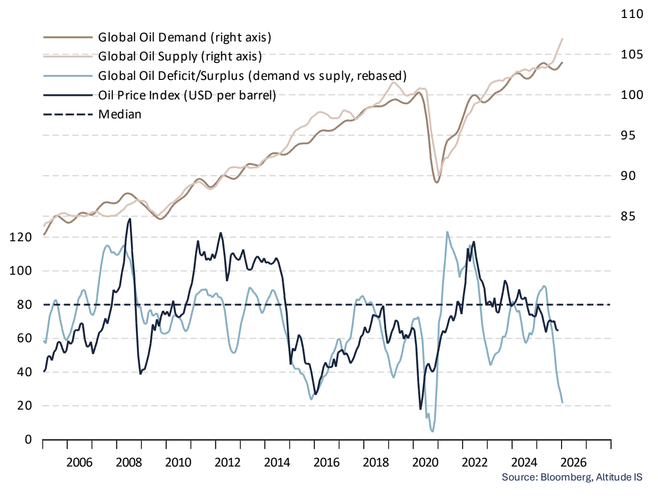


Fig. 3 – Global oil supply and demand



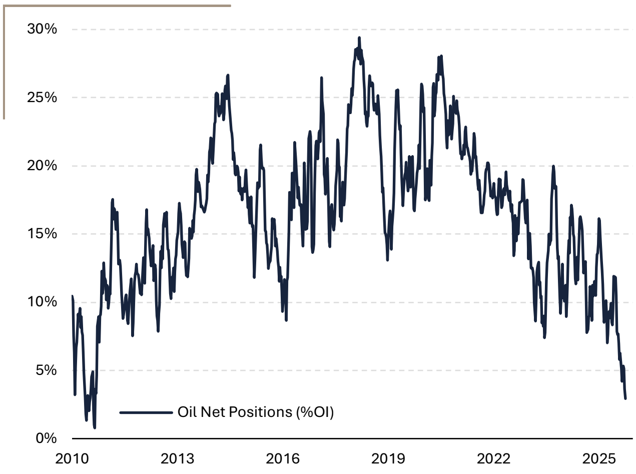
Despite this short-term cyclicality and a few hiccups along the way, global demand for oil has followed a very steady trajectory over the long term (see Fig. 3). This trend is more remarkable given that it has managed to continue over recent decades, despite the increase in carbon-free energy production. It is therefore easy for producing countries to adjust their supply to match demand and, ultimately, to monitor prices without too much effort. **To counter the current imbalance, all that would be needed is for the Organisation of Petroleum Exporting Countries**, as well as the United States and Russia, **to reduce their daily production. The downward pressure on prices would immediately ease or even reverse.**

This possibility is becoming a reality because behind the decline in oil prices in recent years lies a much more impactful correction. Adjusted for price increases and the depreciation of the dollar, **the purchasing power of petrodollars is now lower than it was 20 years ago** (see Chart of the Week). This financial loss will tend to worsen with each new bout of weakness in the price of oil, and as global inflation continues to rise or the greenback embarks on a new downward trend.

In their latest statement, OPEC member countries announced that they would suspend increases in oil production in January, February and March 2026. For the record, since last April, Saudi Arabia, Russia, Iraq, the United Arab Emirates, Kuwait, Kazakhstan, Algeria and Oman have been increasing their oil production every month. This therefore represents a real reversal of strategy. A new meeting is scheduled for 4 January 2026 to take further decisions.

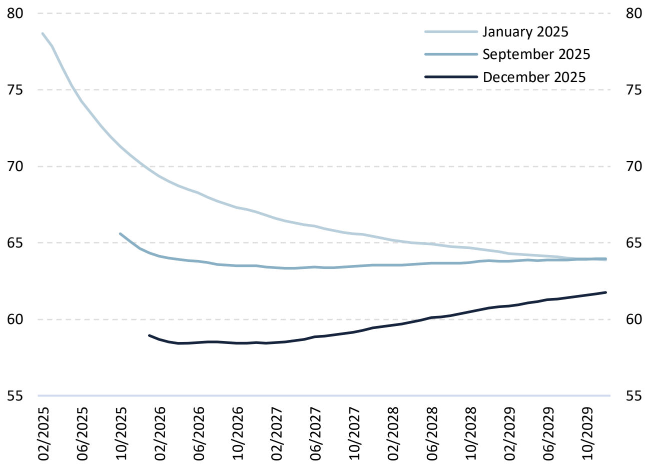
Traders have rarely been so pessimistic about oil price trends. Their net position remains long but at an extremely low level (see Fig. 4), indicating their lack of interest in this option strategy. Paradoxically, it is in this type of exaggeration that trend reversals materialise most strongly, forcing some traders to unwind their short positions to limit losses, which accelerates the rebound. **It is also interesting to note that the futures curve is increasingly less in backwardation, a sign that a trend reversal is looming.** WTI crude futures contracts for delivery in January 2026 are trading at $59.00 per barrel, while those for January 2027 are trading at $58.45. The market has not yet returned to contango, but the 55-cent premium for immediate delivery barrels is the lowest recorded this year (see Fig. 5). Everything suggests that, after a long period of concern about excess oil supply, traders will very soon be looking to protect themselves against the risk of the opposite scenario.

Fig. 4 – Speculative positions on oil



Source: Bloomberg, Altitude IS

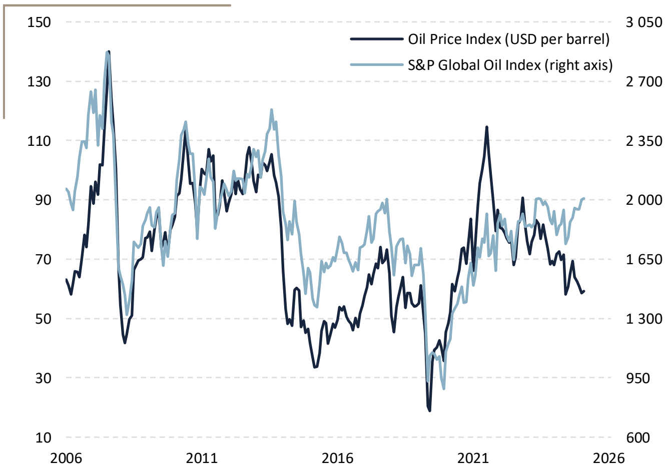
Fig. 5 – Evolution of futures contract prices



Source: Bloomberg, Altitude IS

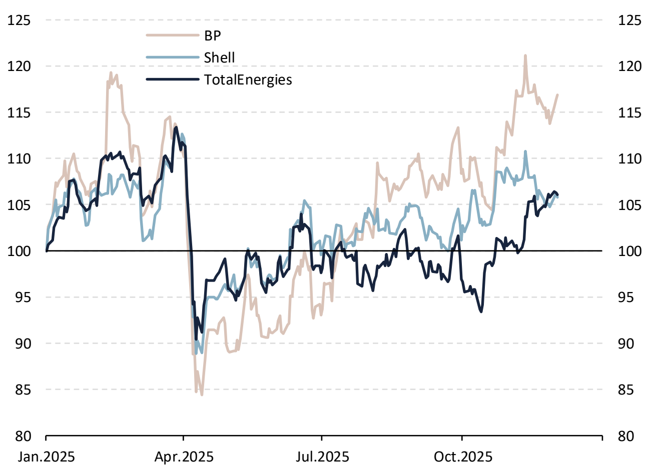
On the stock market, oil companies have weathered the fall in commodity prices relatively well. Since 1st January, their share prices have risen by 11%, while WTI has fallen by -18% (see Fig. 6). Each rebound in oil prices will increase their profit margins, but part of this is certainly already priced in. **Equity investors should therefore expect positive but unspectacular performances.**

Fig. 6 – Oil companies vs oil prices



Source: Bloomberg, Altitude IS

Fig. 7 – Performance of integrated *majors*



Source: Bloomberg, Altitude IS

However, this resilience masks significant disparities between sub-sectors. Integrated Majors such as BP, Shell, TotalEnergies, ExxonMobil and Chevron have generally outperformed (see Fig. 7). They are buoyed by their diversified activities (upstream, refining, chemicals, distribution) and robust balance sheets, enabling them to maintain dividends and share buybacks. Transport and storage players such as Enbridge and TC Energy also offered defensive profiles, similar to regulated infrastructure, with high visibility on cash flows. Conversely, independent upstream producers such as ConocoPhillips and EOG Resources, as well as oilfield services companies such as Schlumberger and Halliburton, have experienced more volatile performances, highly sensitive to the sector's capex expectations and the cost of capital. In a scenario of stabilisation followed by a gradual recovery in oil prices, the former should continue to offer an attractive risk/return profile, while the latter would offer greater catch-up potential, at the cost of significantly increased volatility.

Conclusion:

Over the coming months, increasing numbers of investors are likely to take an interest in oil, either by buying WTI and Brent or by anticipating a sideways movement in prices between $55 and $75 per barrel. Others, finally, will focus on oil companies, even though they have already gained some ground on the rebound scenario.

RETURN ON FINANCIAL ASSETS

Markets Performances (local currencies)	Last Price	Momentum Indicator (RSI)	1-Week (%)	1-Month (%)	2025 Year-to-Date (%)	2024 (%)	2023 (%)
Equities							
World (MSCI)	1 010.7	61.13	0.6%	1.4%	22.3%	18.0%	22.8%
USA (S&P 500)	6 870	59.79	0.4%	1.2%	18.2%	25.0%	26.3%
USA (Dow Jones)	47 955	60.21	0.6%	1.6%	14.6%	15.0%	16.2%
USA (Nasdaq)	23 578	59.42	0.9%	0.4%	22.9%	29.6%	44.7%
Euro Area (DJ EuroStoxx)	602.1	59.50	0.7%	1.1%	23.1%	10.2%	19.5%
UK (FTSE 100)	9 667	51.60	-0.5%	-0.8%	22.3%	9.6%	7.7%
Switzerland (SMI)	12 936	68.63	0.8%	4.6%	15.1%	7.5%	7.1%
Japan (Nikkei)	50 565	55.08	0.5%	0.6%	28.9%	21.3%	31.0%
Emerging (MSCI)	1 385	54.94	1.4%	0.3%	32.2%	8.0%	10.2%
Brasil (IBOVESPA)	157 369	54.17	-1.1%	2.7%	30.8%	-10.4%	22.3%
Mexico (IPC)	63 378	54.98	-0.3%	0.5%	32.4%	-11.0%	22.4%
India (SENSEX)	85 395	61.99	0.0%	2.8%	11.2%	9.6%	20.5%
China (CSI)	4 624	51.85	1.3%	-0.9%	19.6%	18.2%	-9.1%
Com. Services (MSCI World)	167.2	64.96	0.7%	4.9%	35.3%	31.9%	38.1%
Cons. Discretionary (MSCI World)	458.5	55.98	0.9%	-1.4%	10.0%	20.7%	29.5%
Cons. Staples (MSCI World)	290.2	50.49	-1.2%	2.2%	9.1%	4.7%	3.2%
Energy (MSCI World)	267.6	57.37	0.8%	4.0%	15.9%	2.9%	6.0%
Financials (MSCI World)	219.1	64.35	0.9%	2.8%	25.4%	25.1%	16.4%
Health Care (MSCI World)	391.6	56.54	-1.9%	5.4%	14.2%	1.5%	4.1%
Industrials (MSCI World)	462.3	57.84	1.0%	0.6%	24.8%	12.8%	22.6%
Info. Tech. (MSCI World)	975.5	57.32	1.7%	-1.0%	27.7%	31.9%	51.5%
Materials (MSCI World)	381.3	63.71	0.8%	6.3%	27.7%	-7.6%	12.9%
Real Estate (MSCI World)	992	46.83	-1.2%	0.5%	4.3%	-0.4%	5.3%
Utilities (MSCI World)	193.6	38.87	-2.9%	-0.8%	24.4%	13.0%	1.6%
Bonds (Bloomberg)							
World (Aggregate)	3.52%	49.19	-0.2%	0.5%	7.6%	-1.7%	5.7%
USA (Sovereign)	3.92%	44.53	-0.6%	0.3%	6.0%	0.6%	4.1%
Euro Area (Sovereign)	2.91%	36.74	-0.6%	-0.5%	0.6%	1.9%	7.1%
Germany (Sovereign)	2.56%	28.54	-0.7%	-0.8%	-1.4%	0.6%	5.6%
UK (Sovereign)	4.43%	55.10	-0.1%	0.3%	5.8%	-3.0%	5.6%
Switzerland (Sovereign)	0.41%	41.91	-0.2%	-0.5%	1.3%	5.4%	7.9%
Japan (Sovereign)	1.72%	22.96	-0.9%	-1.6%	-4.0%	-2.1%	0.9%
Emerging (Sovereign)	5.92%	64.83	0.2%	0.7%	12.5%	7.0%	11.0%
USA (IG Corp.)	4.84%	49.72	0.0%	0.4%	7.5%	2.1%	8.5%
Euro Area (IG Corp.)	3.18%	45.49	0.0%	0.0%	3.1%	4.7%	8.2%
Emerging (IG Corp.)	6.11%	52.92	0.1%	0.1%	7.5%	7.0%	6.7%
USA (HY Corp.)	6.58%	69.11	0.3%	1.0%	8.1%	8.2%	13.4%
Euro Area (HY Corp.)	5.46%	65.90	0.2%	0.4%	5.0%	8.2%	12.1%
Emerging (HY Corp.)	7.35%	72.73	0.4%	1.0%	12.8%	14.9%	13.1%
World (Convertibles)	540.4	56.86	0.5%	-0.8%	22.7%	9.4%	12.3%
USA (Convertibles)	709.8	54.17	0.1%	-1.8%	18.6%	10.1%	14.6%
Euro Area (Convertibles)	288.3	50.57	0.0%	-0.2%	23.9%	14.7%	7.3%
Switzerland (Convertibles)	278.0	50.65	-0.5%	0.5%	15.5%	-10.5%	5.8%
Japan (Convertibles)	254.6	52.79	-0.7%	0.5%	12.3%	6.4%	7.6%
Hedge Funds (Bloomberg)							
Hedge Funds Industry	1 786	89.94	n.a.	0.9%	10.9%	11.1%	7.8%
Macro	1 442	79.78	n.a.	1.2%	7.4%	7.4%	1.6%
Equity Long Only	2 454	81.16	n.a.	1.2%	11.0%	12.0%	15.9%
Equity Long/Short	1 928	89.81	n.a.	1.0%	15.0%	14.0%	7.7%
Event Driven	1 878	87.48	n.a.	0.7%	8.9%	8.7%	7.3%
Fundamental Equity Mkt Neutral	1 832	96.66	n.a.	1.1%	10.9%	12.4%	6.6%
Quantitative Equity Mkt Neutral	1 770	84.67	n.a.	-0.2%	6.4%	9.8%	7.8%
Credit	1 699	98.64	n.a.	0.5%	6.5%	8.5%	8.1%
Credit Long/Short	1 722	100.00	n.a.	0.6%	5.8%	10.0%	11.2%
Commodity	2 008	94.48	n.a.	2.0%	12.2%	14.7%	7.3%
Commodity Trading Advisors	1 380	64.93	n.a.	0.9%	2.8%	7.9%	-3.6%
Volatility							
VIX	15.41	40.06	-5.7%	-14.4%	-11.2%	39.4%	-42.5%
VSTOXX	15.78	38.89	-7.8%	-11.8%	-7.2%	25.3%	-35.0%
Commodities							
Commodities (CRB)	536.8	n.a.	0.6%	-0.6%	0.1%	5.1%	-8.0%
Gold (Troy Ounce)	4 217	n.a.	-0.4%	5.4%	60.7%	27.2%	13.1%
Silver (Troy Ounce)	58.38	n.a.	0.7%	15.6%	102.0%	21.5%	-0.7%
Oil (WTI, Barrel)	60.08	n.a.	2.4%	0.8%	-16.2%	0.1%	-10.7%
Oil (Brent, Barrel)	64.63	n.a.	0.4%	0.1%	-12.8%	-4.6%	-4.5%
Currencies (vs USD)							
USD (Dollar Index)	98.87	39.56	-0.6%	-0.7%	-8.9%	7.1%	-2.1%
EUR	1.1663	60.30	0.5%	0.9%	12.6%	-6.2%	3.1%
JPY	155.21	47.45	0.2%	-0.7%	1.3%	-10.3%	-7.0%
GBP	1.3333	61.55	0.9%	1.2%	6.5%	-1.7%	5.4%
AUD	0.6646	69.16	1.6%	1.7%	7.4%	-9.2%	0.0%
CAD	1.3821	70.02	1.3%	1.4%	4.1%	-7.9%	2.3%
CHF	0.8033	48.95	0.2%	0.2%	13.0%	-7.3%	9.9%
CNY	7.0686	67.29	0.0%	0.7%	3.3%	-2.7%	-2.8%
MXN	18.162	65.61	0.8%	1.2%	14.7%	-18.5%	14.9%
EM (Emerging Index)	1 837.1	52.22	0.1%	0.1%	6.3%	-0.7%	4.8%
XBT	91 571	n.a.	-2.3%	-10.4%	-2.3%	120.5%	157.0%

Source: Bloomberg, Altitude Investment Solutions

Total Return by asset class (Negative \ Positive Performance)

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