



August 11, 2025





Key points – Week of August 11, 2025

- **Economic indicators showed modest shifts.** The ADS Business Conditions Index was significantly revised downward and now signals little or no growth in Q3 2025, despite a mixed rebound in Q2 GDP. Meanwhile, high-yield corporate bond spreads narrowed by 30 basis points to 12.1%, reflecting improved credit conditions for lower-rated borrowers.
- **Crude oil prices and momentum declined, despite tighter fundamentals and dollar support.** WTI crude fell 4.9% week-over-week (w/w) to \$64.03 per barrel as of August 8, driven by concerns over rising OPEC+ supply and uncertainty surrounding U.S.-Russia negotiations and sanctions. Futures prices remain in backwardation and have moved closer to their historical mean reversion threshold.

Market fundamentals tightened, according to the latest weekly data from the U.S. Energy Information Administration (EIA). U.S. petroleum net exports rose to 3.2 million barrels per day (mb/d) for the week ended August 1—up 1.5 mb/d from the prior week. Petroleum demand declined by 1.3 mb/d to 20.1 mb/d, while crude oil inventories (excluding the Strategic Petroleum Reserve) fell by 3.0 million barrels and remained below the five-year range.

As highlighted in the [Chart of the Week](#), the historical relationship between U.S. dollar depreciation and upward oil price pressure has remained strong. While many factors influence global oil prices, a weaker U.S. dollar typically supports higher oil prices by lowering costs for foreign buyers and boosting demand. This long-standing inverse relationship between the U.S. broad dollar index and Brent crude oil prices strengthened in Q2 and has continued into Q3, underscoring the dollar's central role in commodity pricing and trade flows.

- **Natural gas prices fell as inventories remained strong.** Henry Hub natural gas prices fell 3.4% w/w to \$2.97 per million Btu as of August 8, reflecting strong storage levels and muted expectations for peak summer demand. Working natural gas storage rose by 0.2% w/w to 3.13 trillion cubic feet—placing it in the top 20% of the five-year range.

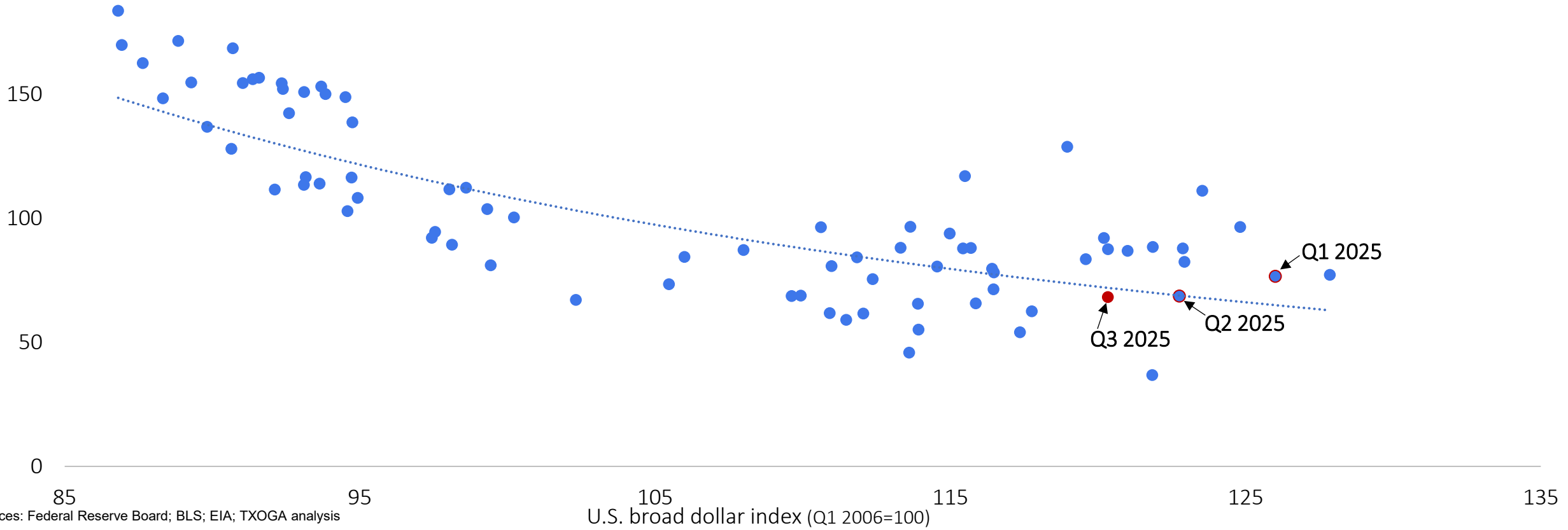


Chart of the Week: The historical relationship between U.S. dollar depreciation and upward oil price pressure has remained strong

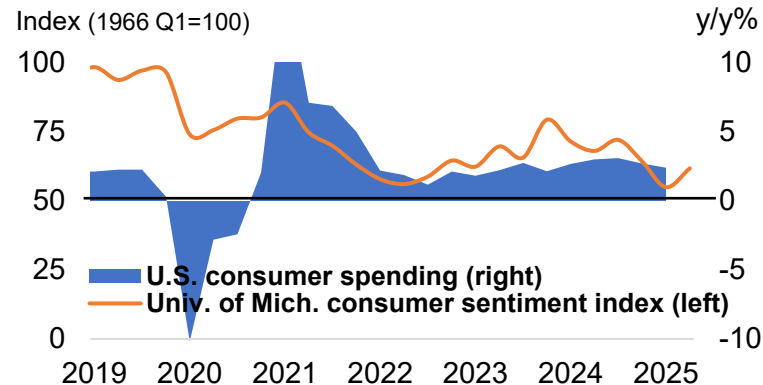
- ▶ While many factors influence global oil prices, the U.S. dollar has historically shown an inverse relationship with oil prices, given its central role in oil pricing, global commodity trading, trade balances, and monetary policy transmission
- ▶ A weaker dollar typically supports higher oil prices by reducing the cost of crude for foreign buyers and boosting demand—an established non-linear relationship that strengthened in Q2 2025

U.S. broad dollar index and Brent crude oil prices, Q1 2006-April 2025

Brent crude oil (2025 constant dollars per barrel)
200

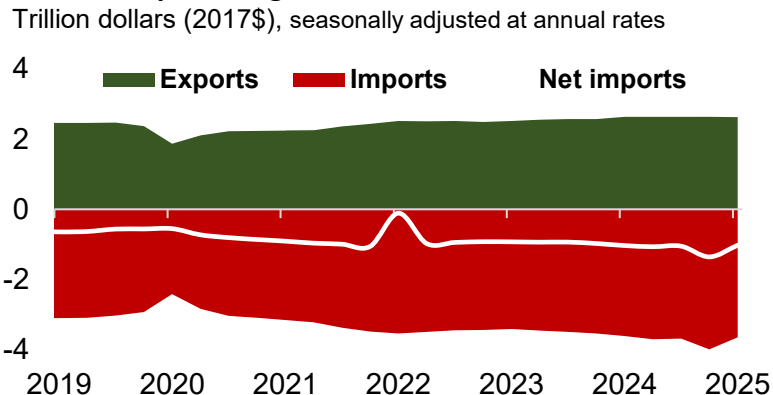


Consumer sentiment vs. spending



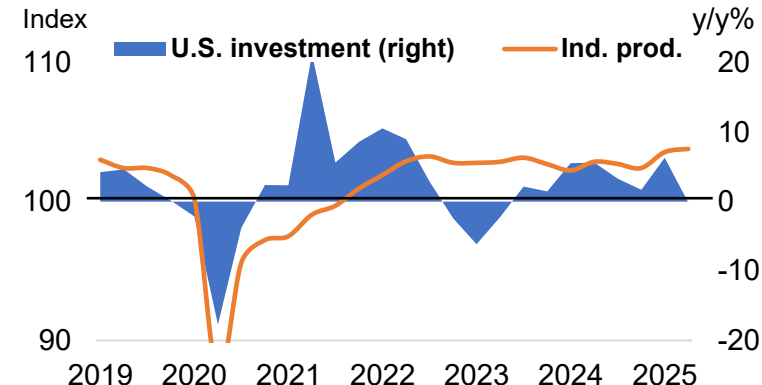
Consumer spending grew by 2.4% y/y in the BEA's initial estimate of Q2 2025 GDP, marking a 0.3 percentage point slowdown from Q1. The University of Michigan's sentiment index—a leading indicator of consumer spending—edged higher in the preliminary July reading but continues to suggest a moderation in spending growth for Q3 2025.

Real net exports of goods and services



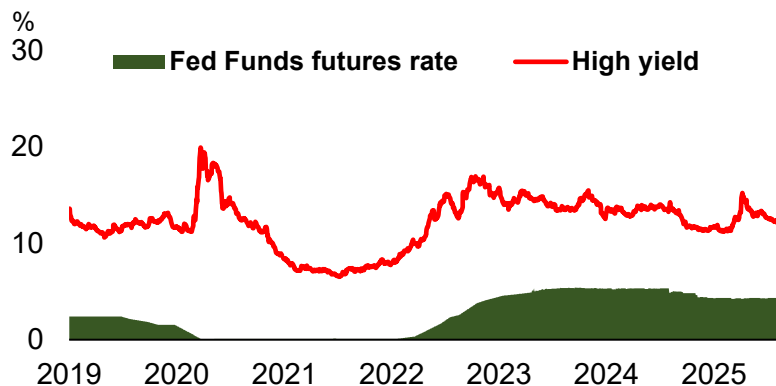
The BEA's initial Q2 2025 GDP report showed the U.S. trade deficit narrowed to \$1.0 trillion, down from a record \$1.4 trillion in Q1, as imports declined more than exports. On a nominal basis, the petroleum trade surplus rose by \$5.5 billion to \$67.8 billion—nearly double its level from a year ago.

Industrial production and investment growth



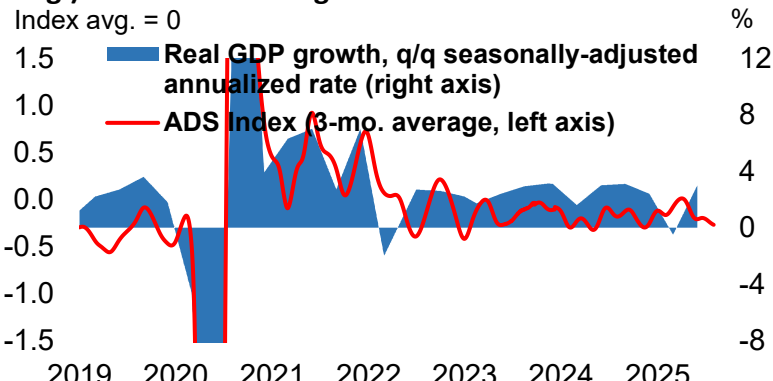
Macro uncertainties stalled investment in Q2 2025. According to the GDP report, economy-wide investment declined 0.1% y/y, diverging from industrial production, which typically leads investment trends. Industrial production rose 0.7% m/m and 0.3% y/y in June, while capacity utilization edged up 0.1 percentage points to 77.6%, per the Federal Reserve Board.

Fed Funds rate and CCC and lower corporate bond yields



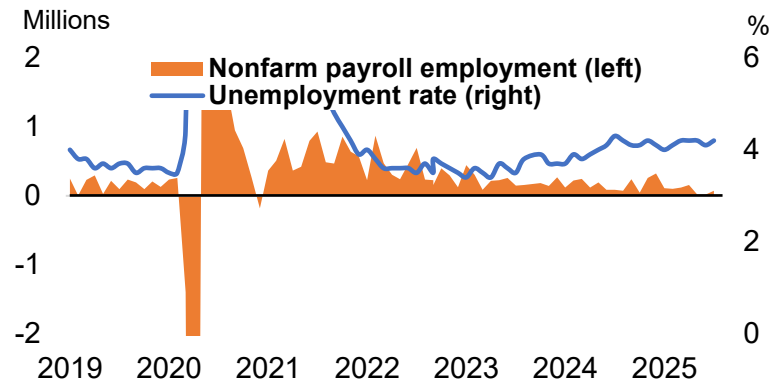
The bond premium for low credit quality fell. High yield (HY) rates, which reflect borrowing costs for below-investment grade firms, fell by 30 basis points to 12.1% for the week ended Aug. 8, while the 30-day Fed Funds futures was unchanged at 4.3%. The premium for low credit quality was 7.8% — on par with the lowest since March.

Aruoba-Diebold-Scotti Business Conditions Index (qtr. avg.) vs. U.S. real GDP growth



ADS Index revised downward retrospectively. While real GDP growth posted a mixed rebound in Q2 2025, the ADS Business Conditions Index from the Philadelphia Fed—an early signal of economic momentum—was significantly revised downward on August 2. It now points to little or no growth in Q3 2025.

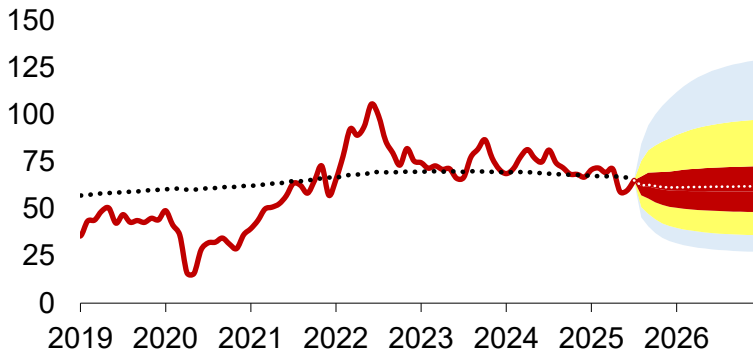
Nonfarm payroll employment & unemployment rate



Labor market conditions weakened – and were downgraded retroactively. Employment is a lagging indicator of GDP growth. Nonfarm payrolls rose by 73,000 in July, but cumulative downward revisions since April have subtracted 334,000 jobs from earlier estimates. The U.S. unemployment rate rose by 0.1 percentage points to 4.2% according to the BLS.

WTI crude oil price mean reversion analysis

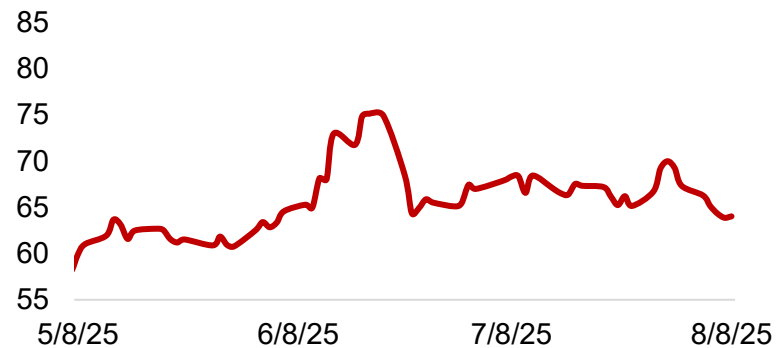
Dollars per barrel (2025\$)



Near-term futures prices fell back into line with their historical mean reversion threshold. The futures strip remains in backwardation (i.e., futures prices are below spot prices).

WTI crude prompt month futures prices

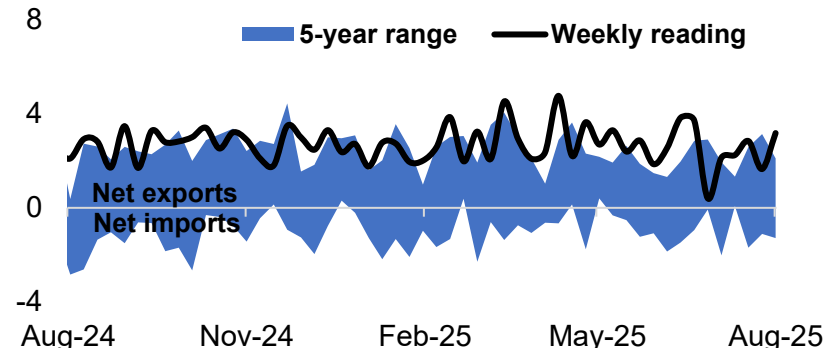
Dollars per barrel



WTI crude oil prices fell 4.9% week-over-week to \$64.03 per barrel as of August 8, driven by concerns over rising OPEC+ supply and uncertainty surrounding U.S.-Russia negotiations and sanctions.

U.S. petroleum net exports (imports)

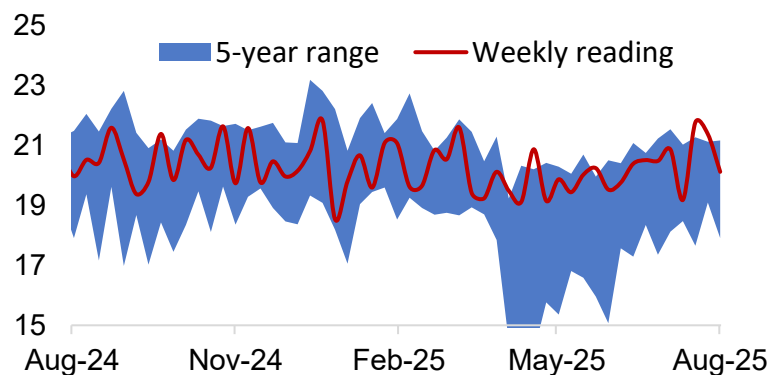
Million barrels per day, mb/d



Petroleum net exports rose to 3.2 mb/d for the week ended August 1, an increase of 1.5 mb/d from the prior week.

U.S. petroleum demand

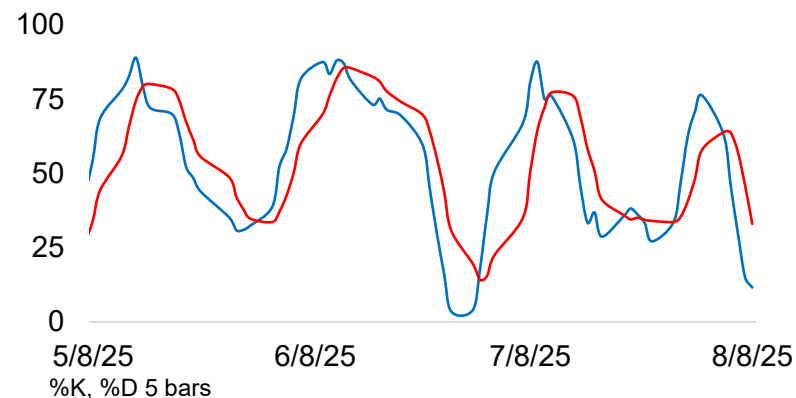
Million barrels per day (mb/d)



Petroleum demand fell. U.S. petroleum demand as of August 1, as measured by deliveries, decreased by 1.3 mb/d from the prior week to 20.1 mb/d.

WTI crude prompt month futures slow stochastic

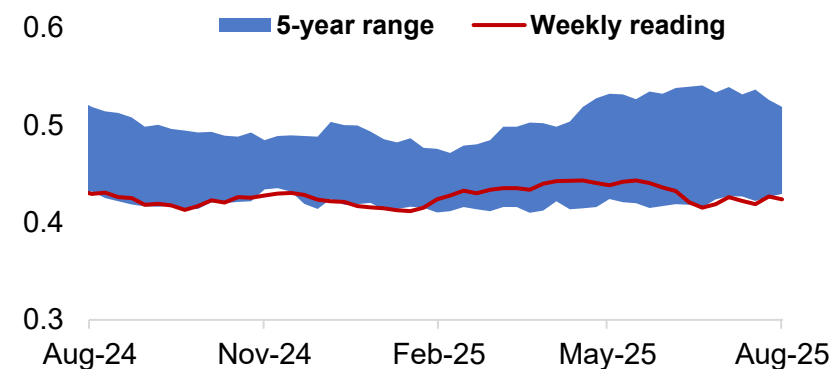
Index level



Price momentum fell during the week ended August 8.

U.S. ending stocks of crude oil (excluding the SPR)

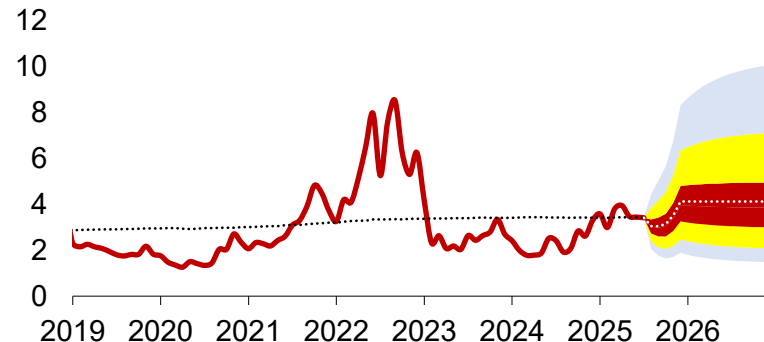
Billion barrels



Inventories decreased. U.S. ending stocks of crude oil excluding the Strategic Petroleum Reserve (SPR) decreased by 3.0 million barrels (mb) for the week ended August 1 – and remained below the 5-year range.

Natural gas price mean reversion analysis

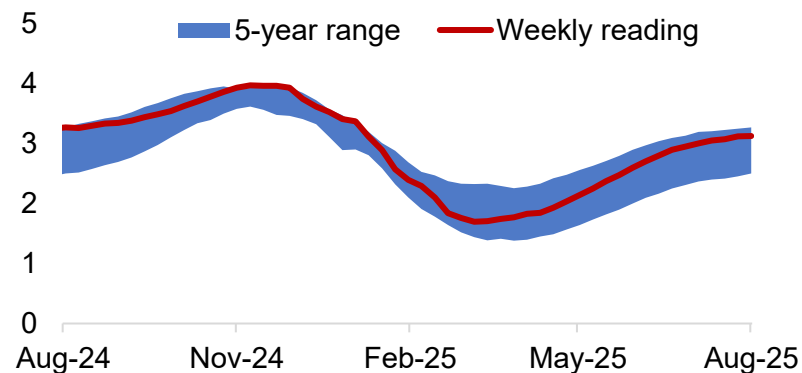
Dollars per mmBtu (2025\$)



Near-term futures prices have fallen below their historical mean reversion threshold. The futures curve is in contango, with spot prices below forward prices. Historical confidence intervals suggest greater potential for upside price movement than downside risk.

U.S. weekly working gas storage

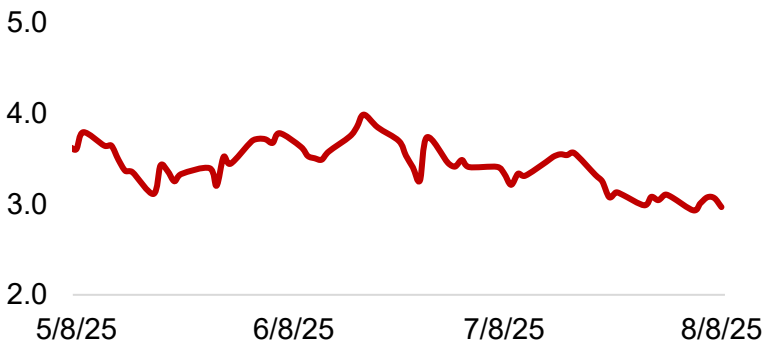
Trillion cubic feet (tcf)



Working natural gas storage increased. Underground storage rose by 0.2% week-over-week to 3.13 trillion cubic feet (tcf) as of August 1 – in the top 20% of the 5-yr range.

Natural gas prompt month futures prices

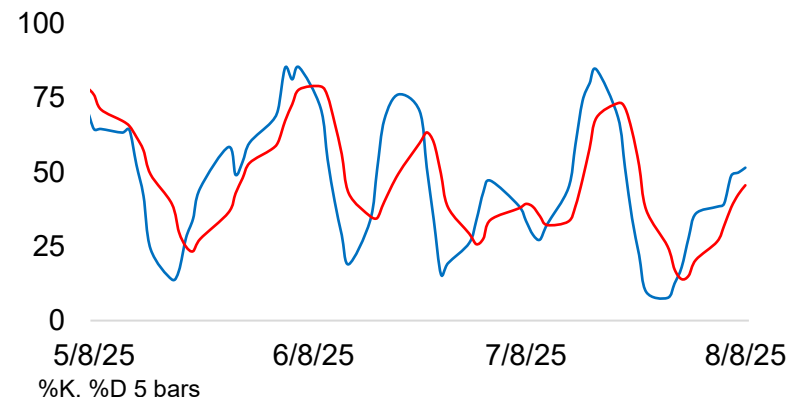
Dollars per million Btu



Henry Hub natural gas prices fell by 3.4% w/w to \$2.97 per million Btu for the week ended August 8, as markets continued to reflect strong inventories and weak expectations for peak summer power consumption.

Natural gas futures slow stochastic

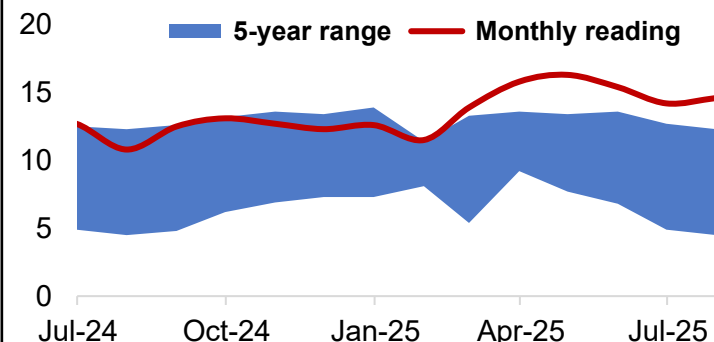
Index level



Natural gas price momentum rose during the week ended August 8.

U.S. natural gas net exports

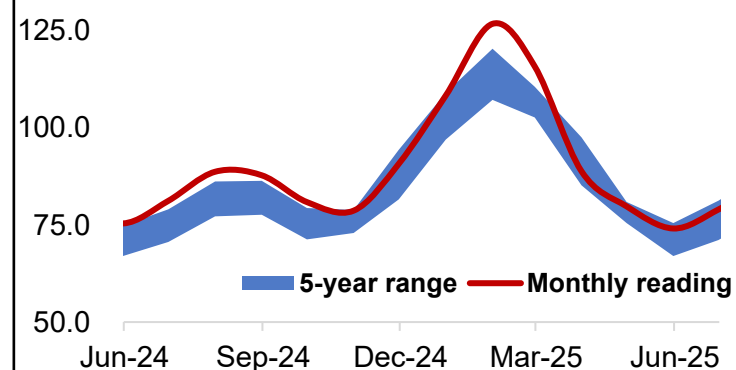
Billion cubic feet per day, bcf/d



According to EIA estimates, U.S. natural gas net exports rose 35% y/y to 14.6 bcf/d in July.

U.S. natural gas consumption

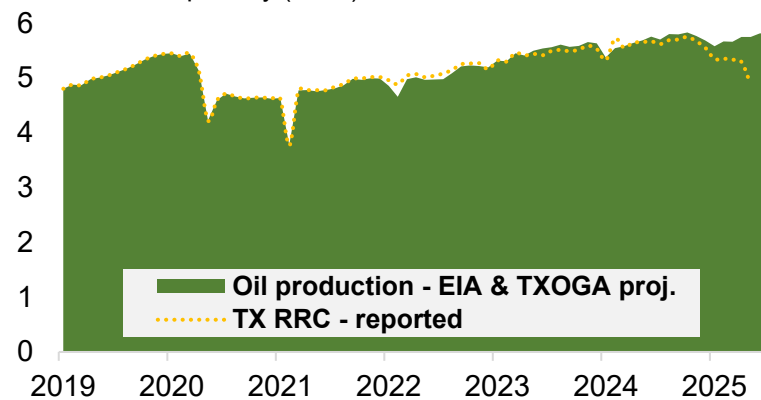
Billion cubic feet per day, bcf/d



Natural gas consumption rose seasonally but fell 2.9% y/y to 86.1 bcf/d in July, according to EIA estimates.

Texas crude oil production, Jan. 2019 – July 2025

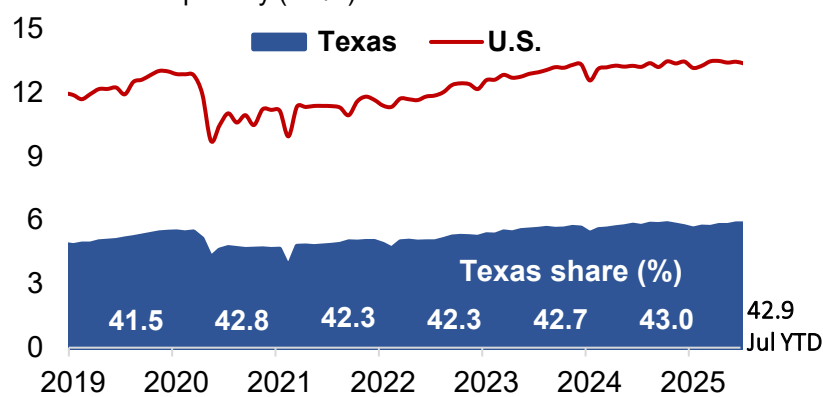
Million barrels per day (mb/d)



Record-high estimated oil production. Texas' oil production averaged 5.75 mb/d in May, according to the EIA. TXOGA estimates that production eclipsed 5.8 mb/d in July and likely reached a new record high.

U.S. and Texas crude oil production, Jan. 2019 – July 2025

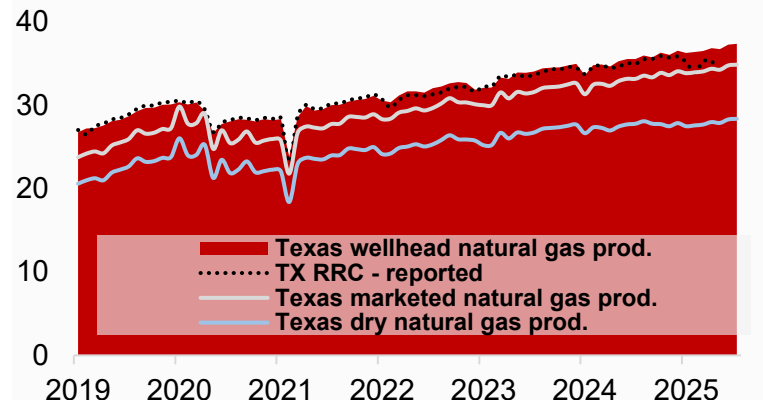
Million barrels per day (mb/d)



In the first seven months of 2025, Texas accounted for 42.9% of total U.S. crude oil production.

Texas natural gas production, Jan. 2019 – July 2025

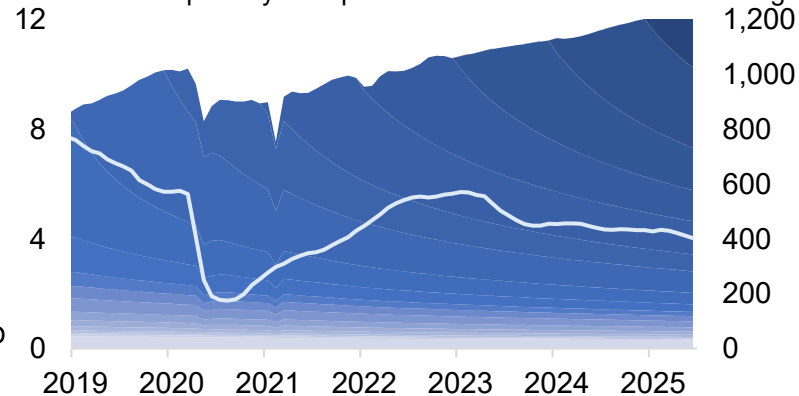
Billion cubic feet per day (bcf/d)



Natural gas production increased. Texas produced 36.7 bcf/d of natural gas gross withdrawals and 34.3 bcf/d of marketed production in May – both 0.3% below record highs set in April, per EIA. TXOGA estimates that Texas' marketed production rose to 34.9 bcf/d in July.

Texas shale basin wellhead oil & natural gas production

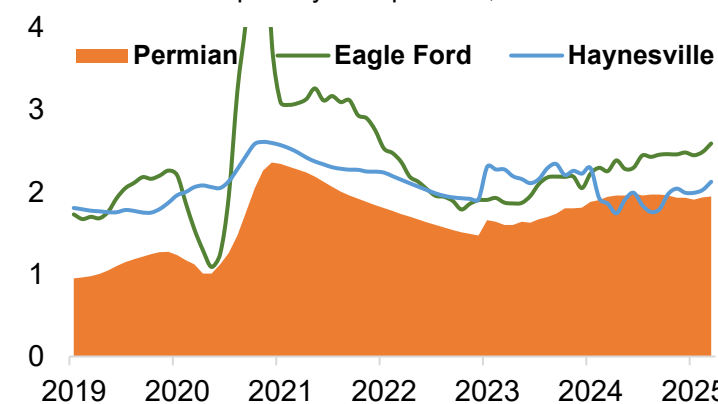
Million barrels per day oil-equivalent



EIA estimates show changes in oil and natural gas production across Texas shale basins in June 2025, including the Permian (+4.4% y/y), Eagle Ford (+2.5% y/y), and Haynesville (+5.3% y/y).

Texas rig productivity by basin – new monthly prod. per rig

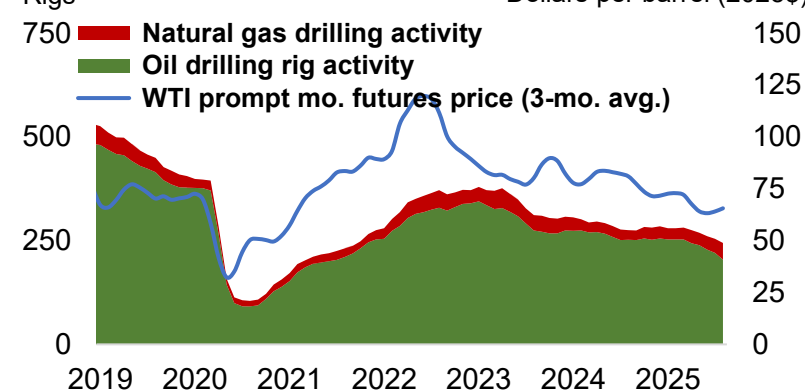
Thousand barrels per day oil-equivalent, kb/doe



Rig productivity gains continued across major basins in June. EIA estimates of rig productivity for June 2025 rose by 1.8% y/y in the Permian Basin, 2.9% y/y in the Eagle Ford, and 1.7% y/y in the Haynesville.

Texas drilling activity and WTI crude oil futures prices

Rigs Dollars per barrel (2025\$)



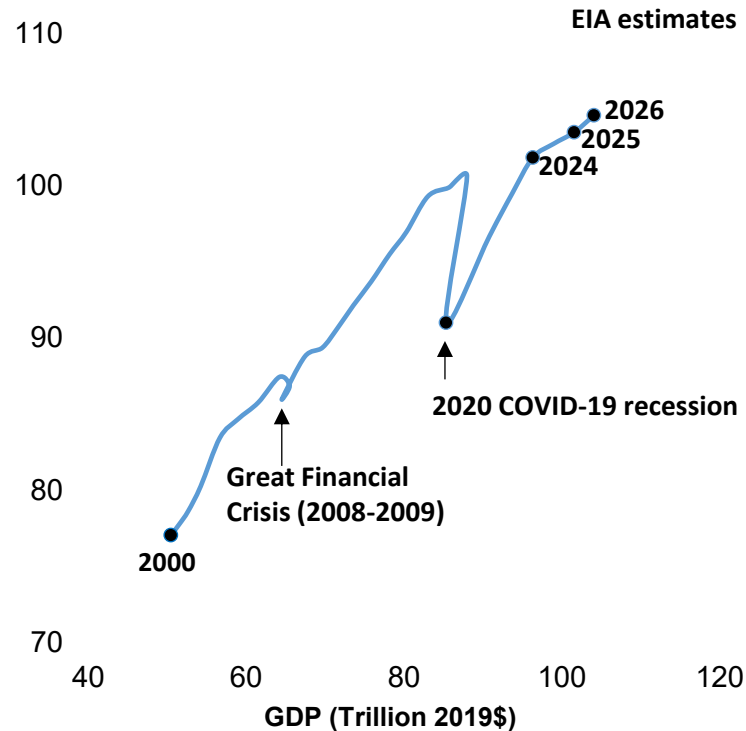
As of August 8, Texas' total rigs declined, according to Baker Hughes, with 203 oil-directed rigs (down 3 rigs w/w) and 40 natural gas-directed rigs (up 1 rig w/w).

Global oil market outlook – Global supply growth upgraded by EIA for 2025 and 2026 despite lower demand expectations

- Global oil demand, as downgraded last month, is still expected to set a third consecutive record, rising from 102.7 mb/d in 2024 to 103.5 mb/d in 2025 and 104.6 mb/d in 2026.
- The EIA upgraded its global supply growth projections to 1.8 mb/d in 2025 and 1.1 mb/d in 2026, led by the U.S. and OPEC producers.
- Brent crude oil prices are projected to average \$69 per barrel in 2025 and \$58 in 2026—compared with about \$69 currently.

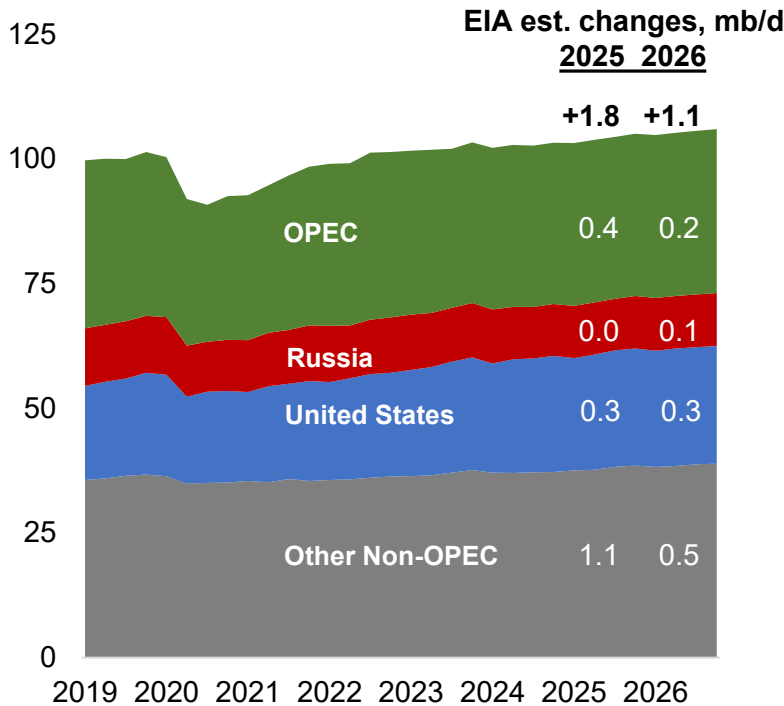
Global oil demand and GDP

Million barrels per day (mb/d)



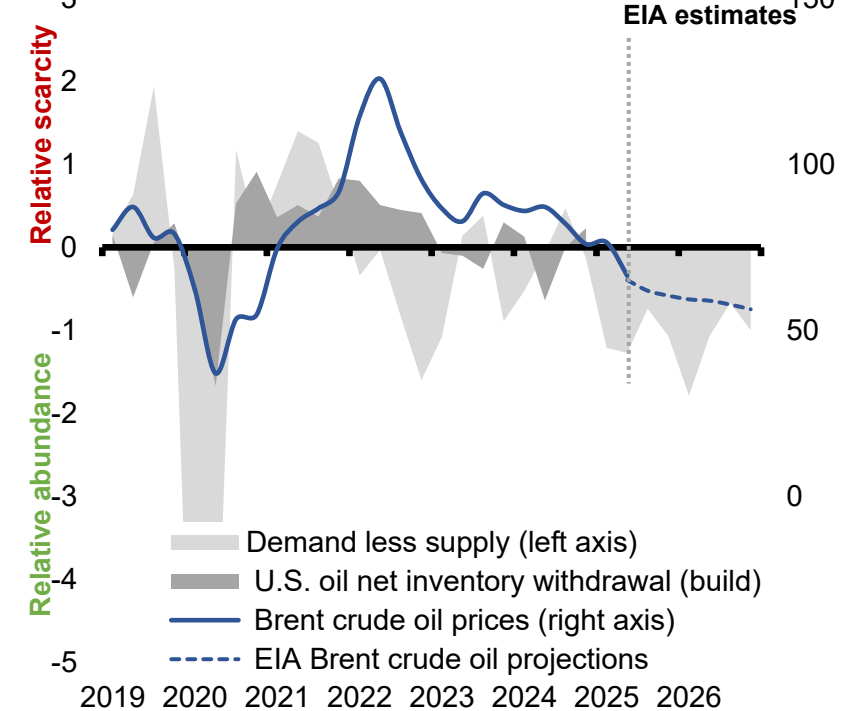
Oil production by country/region

Million barrels per day, mb/d



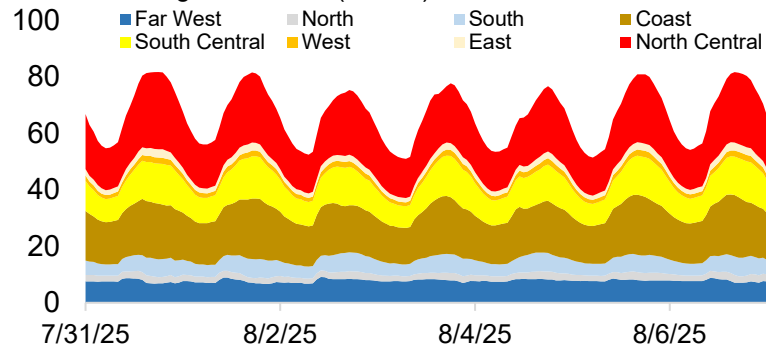
Global demand/supply & Brent prices

Million barrels per day (mb/d)



ERCOT electricity load by region

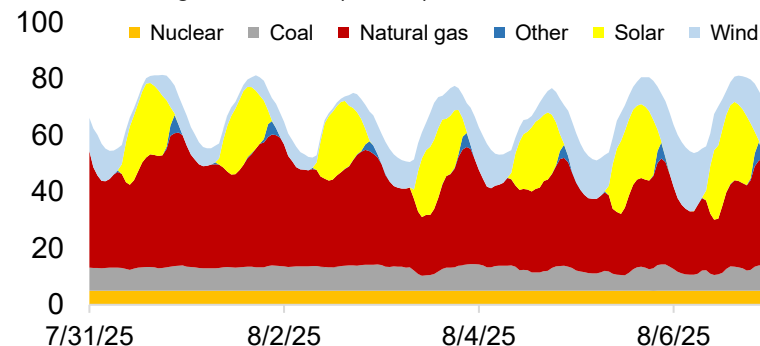
Thousand megawatt-hours (kMWh)



For July 31 – Aug. 6, ERCOT's average hourly electricity load was 66.8 kMWh, down 1.3% w/w, while the maximum hourly load of 81.8 kMWh fell by 0.3% w/w. Variability was the highest in the North Central and South Central regions.

ERCOT hourly electricity generation by source

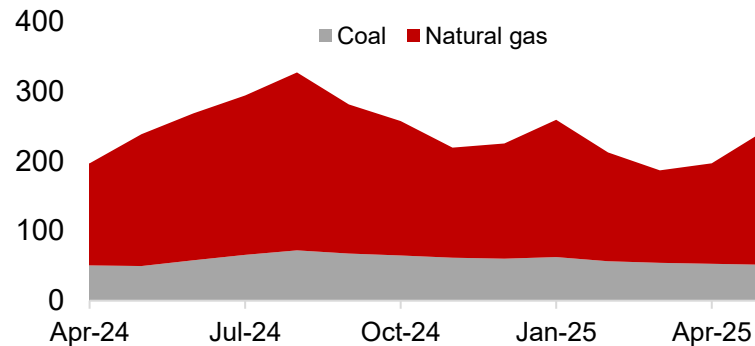
Thousand megawatt-hours (kMWh)



Thermal and other dispatchable resources generated up to 92.3% of ERCOT's electricity. ERCOT's hourly electricity generation for the period July 31 – Aug. 6 ranged between 51 and 82 kMWh with a standard deviation of 9.6 kMWh. Thermal and dispatchable sources generated 92.3% of the region's power on the morning of Aug. 2, including 66.0% from natural gas.

Texas electricity plant receipts of natural gas and coal

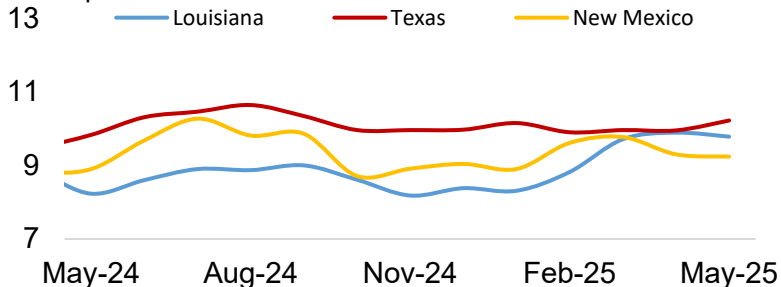
Trillion Btu



Natural gas receipts accelerated in May. Texas electricity plant receipts of natural gas rose by 32.6% m/m in May 2025, while receipts of coal fell 2.0% m/m.

Electricity prices – average across all end-use sectors

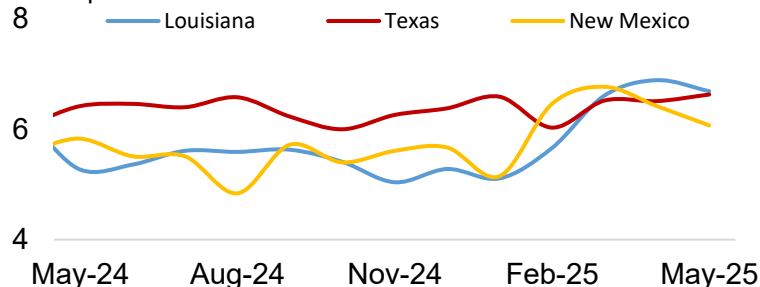
Cents per kilowatt-hour



Texas electricity prices escalated in May 2025. The average price of electricity in Texas rose 2.7% m/m and 4.0% y/y to 10.22 cents per kWh. For comparison, May electricity prices averaged 9.78 cents per kWh in Louisiana and 9.24 cents per kWh in New Mexico.

Industrial electricity prices

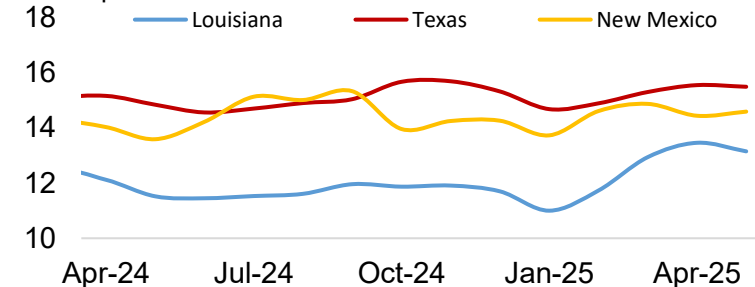
Cents per kilowatt-hour



Texas' industrial electricity prices rose by 1.8% m/m and 3.3% y/y to 6.63 cents per kWh in May, while those in neighboring Louisiana and New Mexico receded by 2.9% m/m and 5.5% m/m, respectively, to be on par or lower than prices in Texas.

Residential electricity prices

Cents per kilowatt-hour

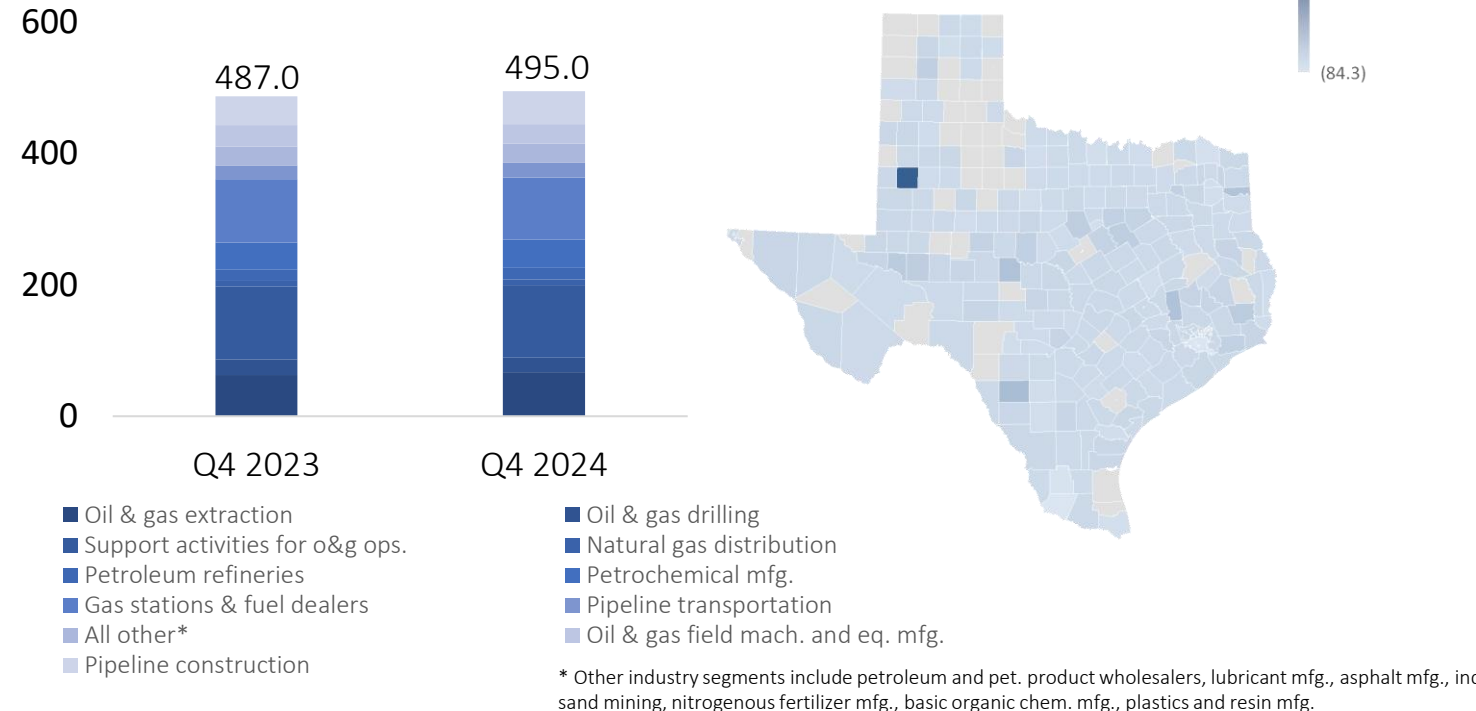


Texas' residential electricity prices slipped by 0.4% m/m but remained up 4.4% y/y to 15.49 cents per kWh in May, remaining above rates in Louisiana (13.15 cents per kWh) and New Mexico (14.59 cents per kWh).

- Texas oil and natural gas industry employment and wages grew by 1.6% and 7.6% year-over-year (y/y), respectively, in Q4 2024, reaching 494,961 jobs and \$15.7 billion in wages.
- The vast majority of job growth year-over-year occurred in pipeline construction (+6,674 jobs) and natural gas extraction (+4,612 jobs), per data from the U.S. Census Bureau and the Texas Workforce Commission.

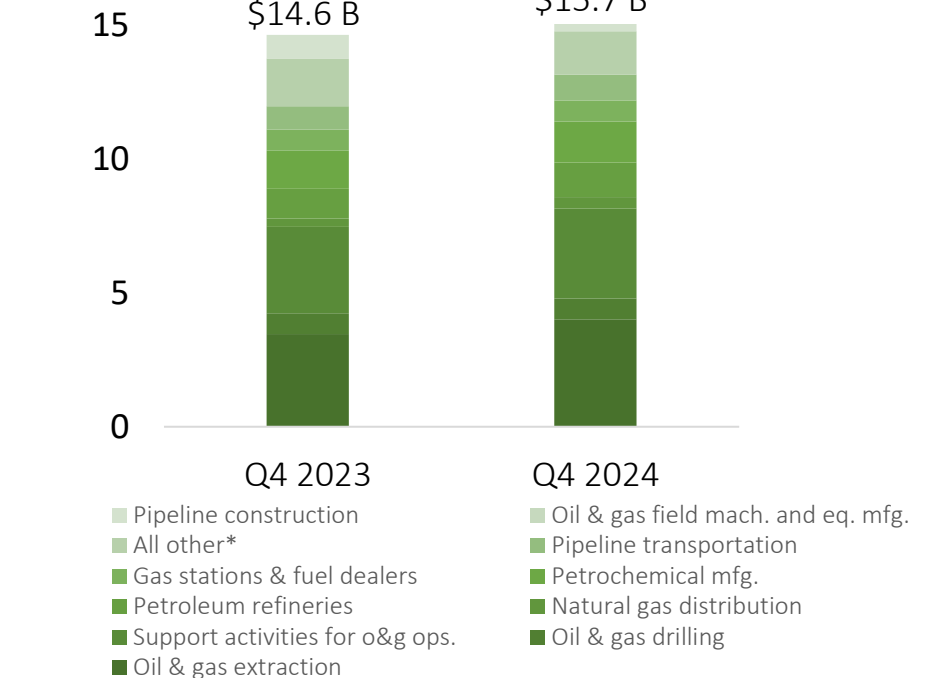
Texas oil and natural gas industry direct employment rose by +1.6% y/y in Q4 2024

Thousand Jobs



Texas oil and natural gas industry direct wages rose by +7.6% y/y in Q4 2024

Billion dollars





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