TXOGA CHARTBOOK™

October 27, 2025

Key points – Week of October 27, 2025

- **U.S. economic indicators weakened further as data delays persisted.** With federal reporting paused by the government shutdown, GDP, trade, and employment data remain unavailable. September inflation rose **3.0% y/y**, the fastest pace since January, while the University of Michigan's survey showed **consumer sentiment down 0.2% m/m and 25.7% ytd**, signaling softer household confidence. **High-yield borrowing costs eased to 12.0%** as **Federal Funds futures held at 3.9%**, narrowing the premium to **8.1 percentage points (pp)**. The **Philadelphia Fed's ADS Index** continued to reflect sluggish momentum through Q3, pointing to a subdued backdrop entering Q4.
- Chart of the Week**: U.S. leveraged finance remains disciplined.** High-yield borrowing costs have risen modestly amid trade-policy volatility, but lenders continue to differentiate by credit quality. Leverage and valuations have normalized, and Fitch Ratings finds no evidence of a speculative credit bubble.
- **Oil markets strengthened amid geopolitical and supply pressures.** WTI crude rose 8.0% w/w to $62.12/bbl as expectations of tighter Russian sanctions outweighed concerns over slower Chinese growth and higher OPEC+ supply. U.S. petroleum net exports increased to 4.2 million barrels per day (mb/d), while domestic demand slipped to 20.0 mb/d. Crude inventories fell by 1.0 million barrels, remaining near the five-year low. Futures returned to backwardation, signaling firmer near-term market conditions.
- **Natural gas markets strengthened as prices and exports rose.** Natural gas prices climbed 7.1% w/w to $3.22/mmBtu on seasonal futures pricing despite strong storage builds. Working gas storage rose 2.3% w/w to 3.81 tcf, in the upper fifth of the five-year range. U.S. gas net exports increased 23.7% y/y to a record 16.2 billion cubic feet per day (bcf/d) in September, led by LNG demand, while domestic consumption fell 2.6% y/y, per EIA estimates. Futures remain in contango, and recent price momentum suggests potential near-term strength.

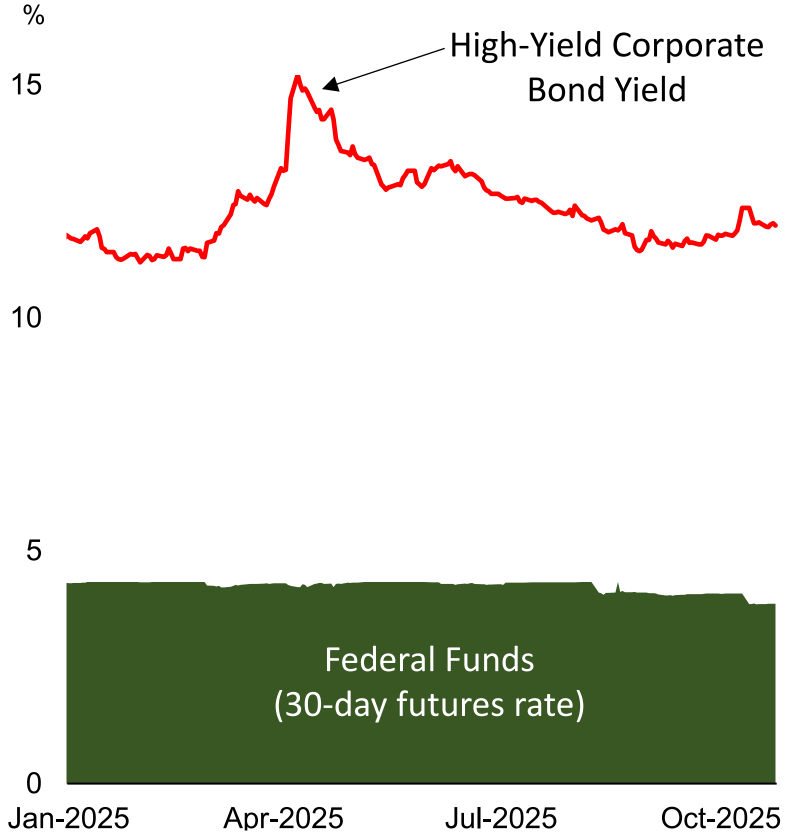
Chart of the Week: U.S. leveraged finance remains disciplined, not distorted

- **TXOGA's Chartbook** tracks the premium of high-yield (HY) corporate bond yields (rated CCC and lower) over the risk-free Federal Funds rate — a key signal for financing costs across the oil and natural gas sector.
  - **Credit discipline persists.** Lenders continue to distinguish among credit tiers: 'BB' and 'B' spreads have narrowed with stronger fundamentals, while 'CCC' spreads remain wide, underscoring selectivity toward higher-risk borrowers.
  - **HY rates** have ranged from 11.2% to 15.2% this year and are now 12.0%, 8.1 percentage points (pp) above the Federal Funds futures rate as of October 24 — up almost 1 pp since late August.
  - **Volatility peaks** in April and mid-October coincided with renewed trade-policy threats toward China, prompting brief risk-off episodes and wider spreads.

- **Fitch: No "classic bubble" in U.S. leveraged finance**
  - According to Fitch Ratings (Oct 20, 2025), U.S. leveraged finance indicators remain consistent with **a late-cycle but disciplined market**, not a speculative bubble.
  - **Purchase multiples** declined to **8.0x EBITDA in Q2 2025**, down from **12.0x** in Q2 2024 and **13.0x** in Q2 2023, as higher rates constrained valuations.
  - **Leverage ratios** on new LBOs averaged **4.6x** first-lien and 4.6x total debt, nearly unchanged from Q2 and well below pre-pandemic peaks.
  - **Credit quality** remains resilient: defaults are below average, covenant protections have strengthened, and equity cushions remain adequate.
  - **Fitch concludes**: *"U.S. leveraged finance shows no classic bubble signs — underwriting standards are stronger, leverage is lower, and risk-reward balance remains intact."*

***Despite elevated rates and trade-policy uncertainty**, leveraged-finance markets remain orderly — defined by selective lending, moderate leverage, and no evidence of speculative excesses typical of past credit bubbles.*

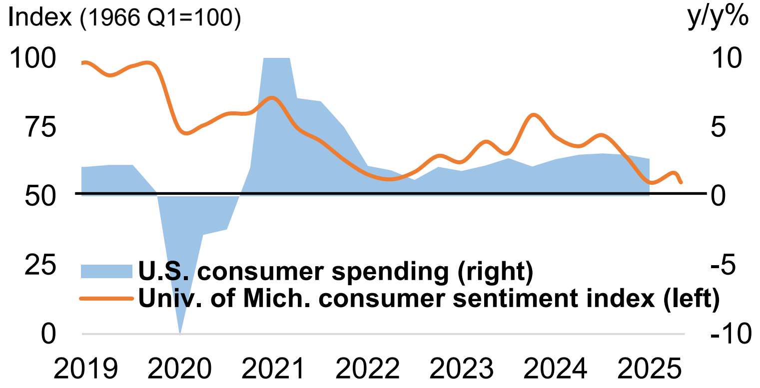
Interest rates and high-yield borrowing costs



source: FRED; Federal Reserve Bank; Fitch Ratings; TXOGA analysis

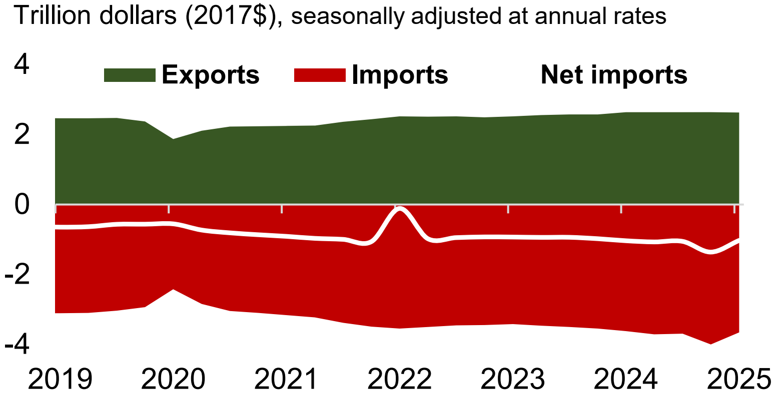
U.S. economic indicators

Consumer sentiment and spending trends



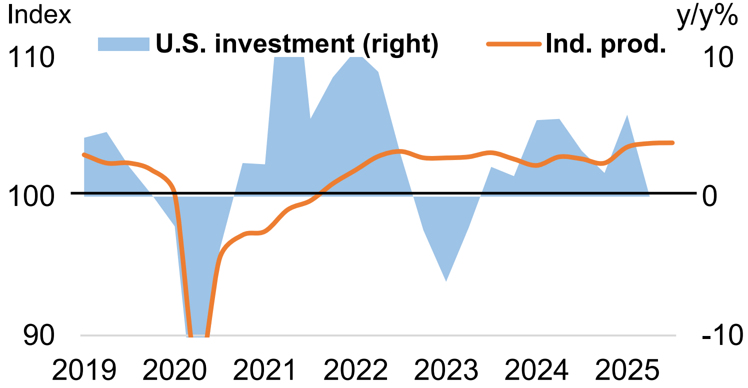
In the University of Michigan's survey, **consumer sentiment—a leading indicator of household spending—fell 0.2% m/m** and 25.7% ytd through October, pointing to weaker household confidence and slower spending. BEA's revised Q2 GDP data showed consumer spending up 2.7% year-over-year, 0.4 percentage points slower than in Q1.

U.S. trade balance and petroleum exports



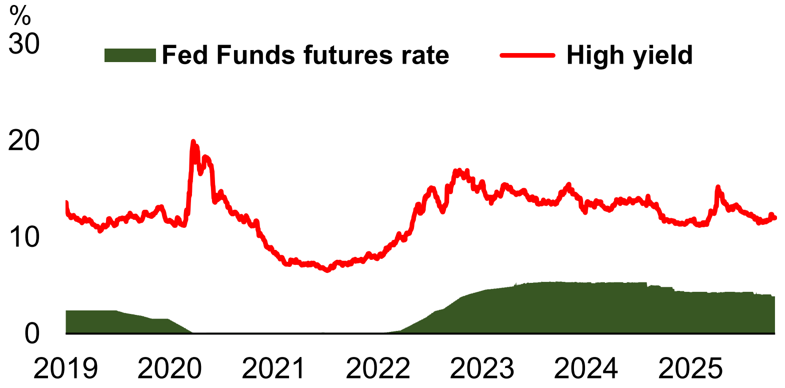
The BEA's initial Q2 2025 GDP report showed the **U.S. trade deficit narrowed to an annualized $1.0 trillion (SAAR)**, down from $1.4 trillion in Q1, as exports exceeded imports. The **petroleum trade surplus rose $9.9 billion to $72.2 billion**, more than double its level a year ago.

Industrial production and investment



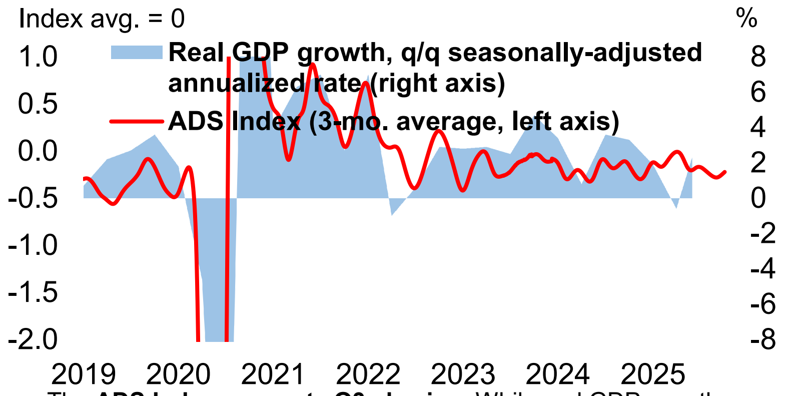
Macro uncertainties stalled investment in Q2 2025. Revised BEA data show **economy-wide investment flat year-over-year**, diverging from industrial production, which rose **0.1% m/m in August**. Capacity utilization held at **77.4%**, per the Federal Reserve.

Interest rates and high-yield borrowing costs



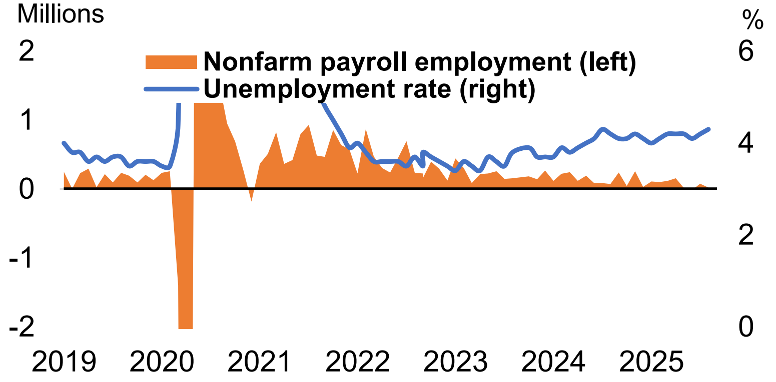
Credit costs for lower-quality issuers narrowed further. As of October 24, high-yield borrowing costs decreased 0.1% w/w to 12.0%, while Fed Funds futures held steady at 3.9%, narrowing the low-credit-quality premium to 8.1%.

ADS Index and real GDP growth



The **ADS Index suggests Q3 slowing**. While real GDP growth rebounded in Q2, the **Philadelphia Fed's ADS Index—an early signal of economic momentum—continued to indicate weak growth in Q3 2025**.

Employment and unemployment trends

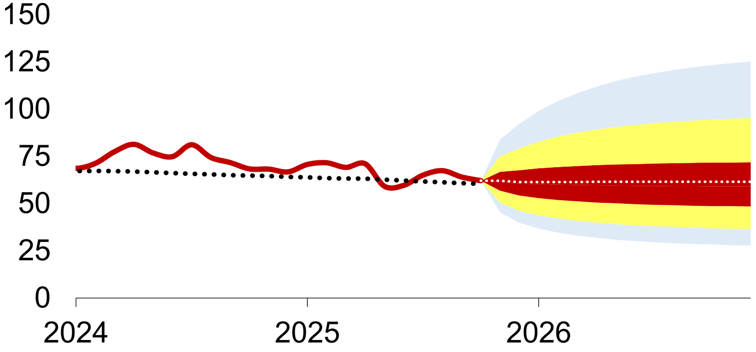


Labor market conditions weakened further. Nonfarm payrolls increased by **22,000 in August**, while the **unemployment rate rose 0.1 points to 4.3%**, according to the Bureau of Labor Statistics.

sources: FRED; Univ. of Michigan; BEA; CME Group; Federal Res. Board; Philadelphia Fed. Res.; Bureau of Labor Statistics

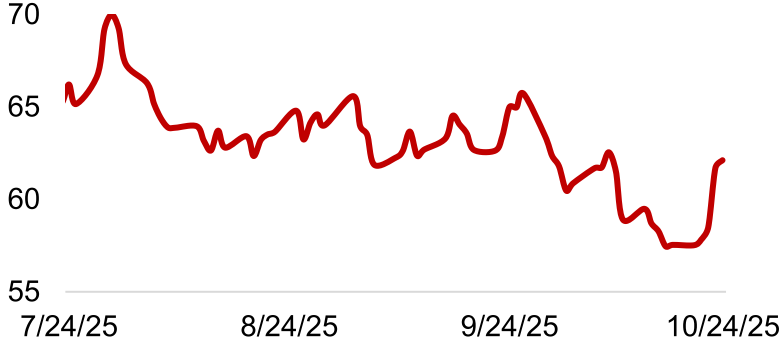
U.S. oil market indicators

WTI futures mean reversion analysis
Dollars per barrel (2025$)



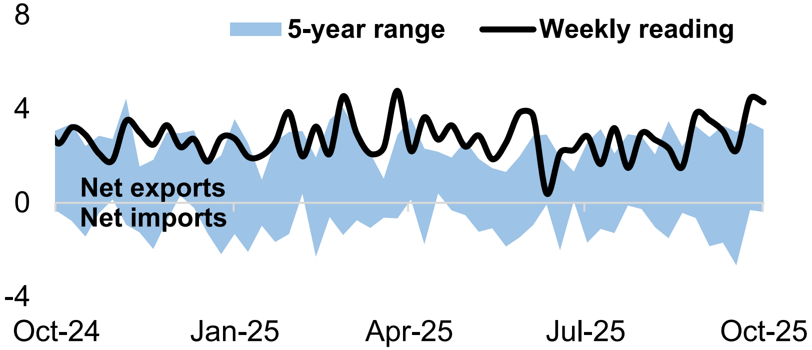
Near-term WTI futures rose and aligned with their historical mean-reversion target, with forward prices returning to backwardation (spot prices above futures) through 2026—suggesting expectations of relatively tighter near-term market conditions.

WTI crude prompt month futures prices
Dollars per barrel



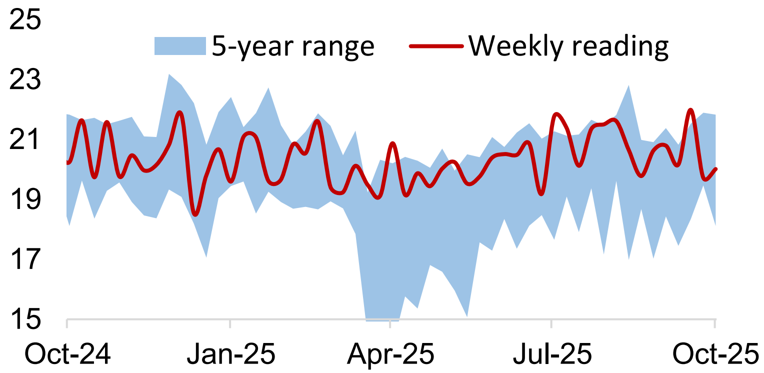
WTI crude prices rose 8.0% w/w to $62.12 per barrel as of October 24, as markets weighed the potential impact of tighter Russian sanctions against persistent concerns over slower growth in China and rising OPEC+ supply.

U.S. petroleum net exports (imports)
Million barrels per day, mb/d



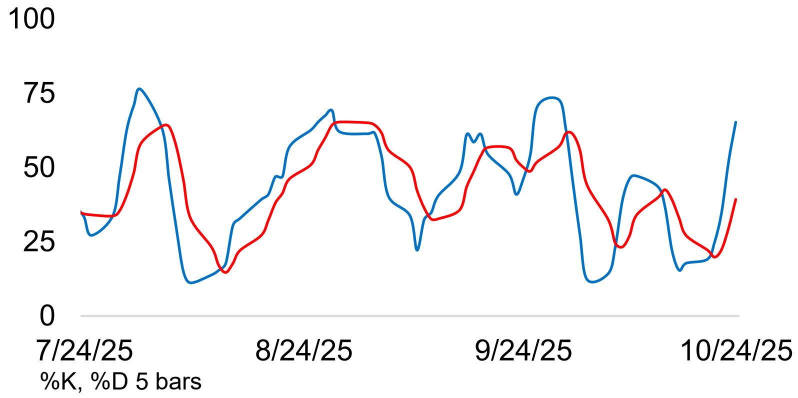
U.S. petroleum net exports rose to 4.2 mb/d for the week ended October 17, up 0.8% from the prior week.

U.S. petroleum demand
Million barrels per day (mb/d)



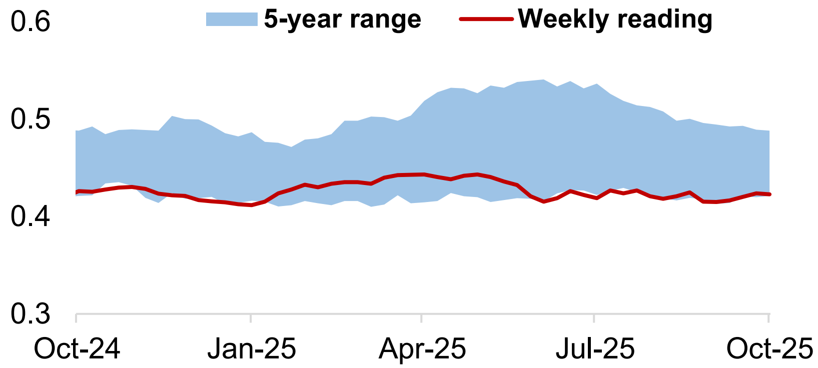
U.S. petroleum demand decreased. As of October 17, deliveries averaged 20.0 mb/d, up 0.3 mb/d from the prior week.

WTI futures momentum indicator
Index level



Price momentum turned positive for the week ended October 24.

U.S. crude oil inventories (excluding the SPR)
Billion barrels



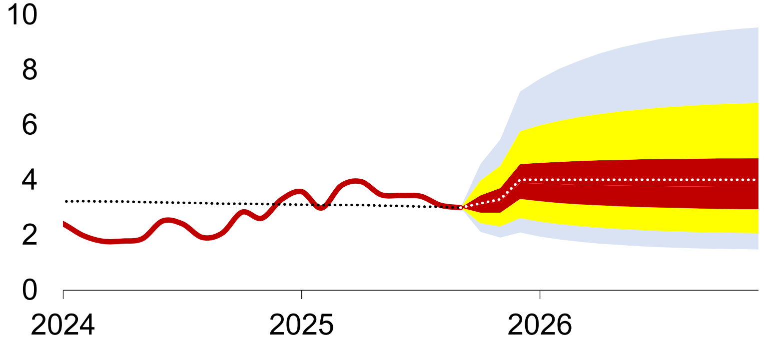
U.S. crude oil inventories decreased by 1.0 million barrels for the week ended October 17. Stocks remain at the bottom of the five-year range.

sources: U.S. Energy Information Administration; CME Group; Bureau of Labor Statistics; TXOGA analysis

U.S. natural gas market indicators

Natural gas futures mean reversion analysis

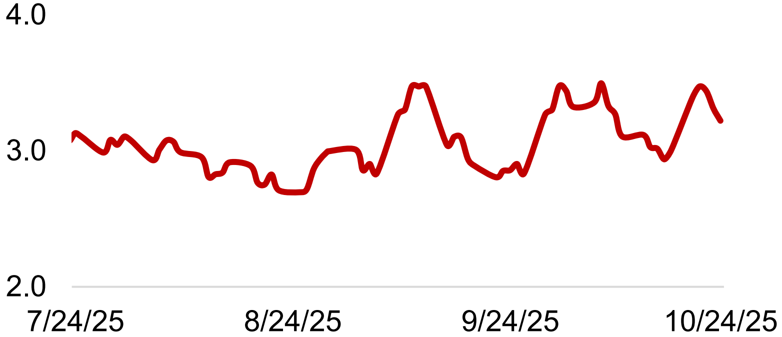
Dollars per mmBtu (2025$)



Near-term futures remain aligned with their historical mean-reversion target, with forward prices in contango (spot prices below futures). Confidence intervals imply greater potential for upside movement than downside risk.

Natural gas prompt month futures prices

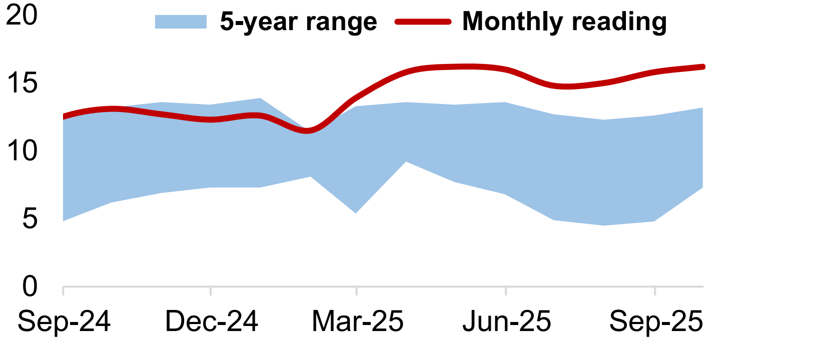
Dollars per million Btu



Natural gas prices rose 7.1% w/w to $3.22 per mmBtu as of October 24, reflecting seasonal futures pricing strength despite continued robust storage builds.

U.S. natural gas net exports

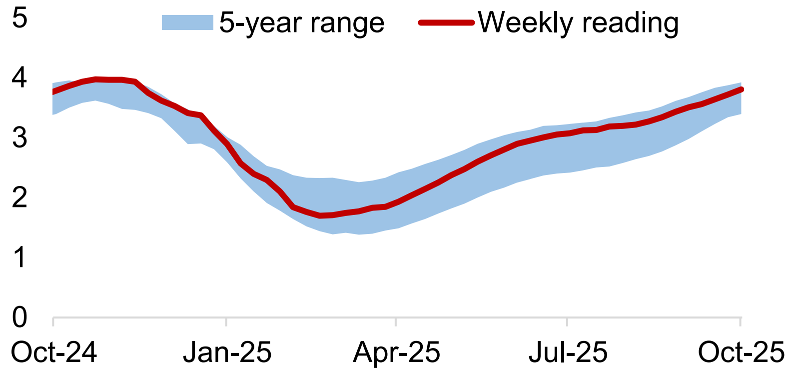
Billion cubic feet per day, bcf/d



According to EIA estimates, **U.S. natural gas net exports rose 23.7% y/y** to a record 16.2 bcf/d in September, supported by continued LNG strength.

Working natural gas storage

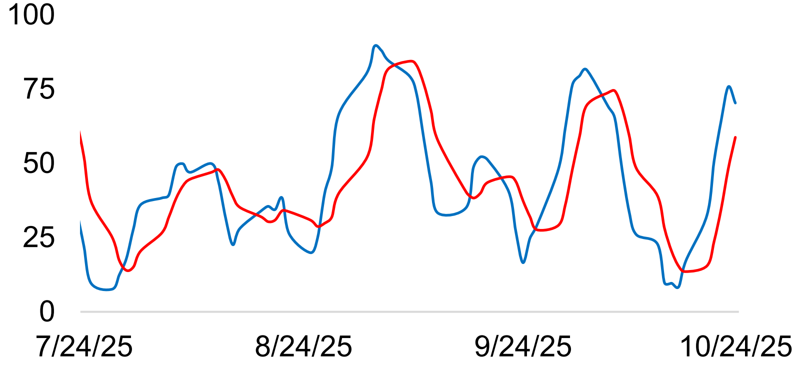
Trillion cubic feet (tcf)



Working natural gas storage increased 2.3% w/w to 3.81 tcf as of October 17, rising into the top 20% within the five-year range.

Natural gas futures momentum indicator

Index level

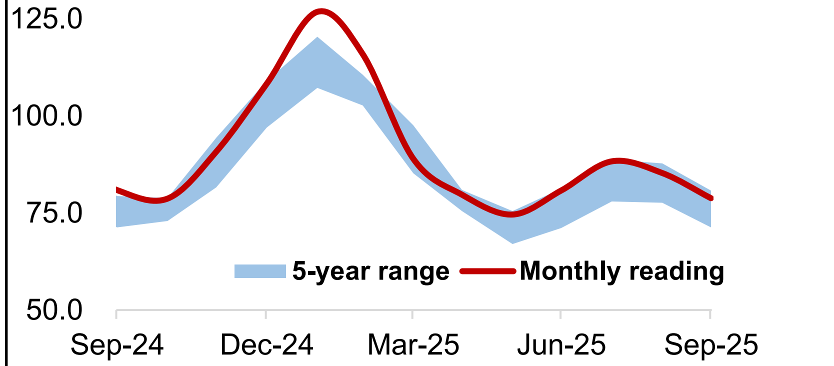


%K, %D 5 bars

Price momentum rose during the week ended October 24.

U.S. natural gas consumption

Billion cubic feet per day, bcf/d



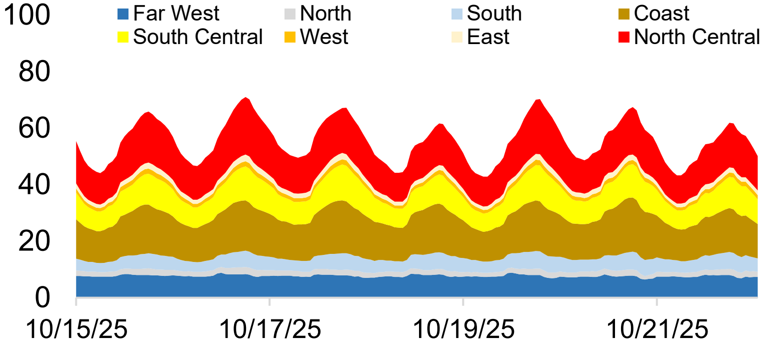
Consumption declined 2.6% y/y to 78.8 bcf/d in September, led by lower residential and power sector demand, according to EIA estimates.

sources: U.S. Energy Information Administration; CME Group; Bureau of Labor Statistics; TXOGA analysis

Texas electricity analysis

ERCOT electricity load by region

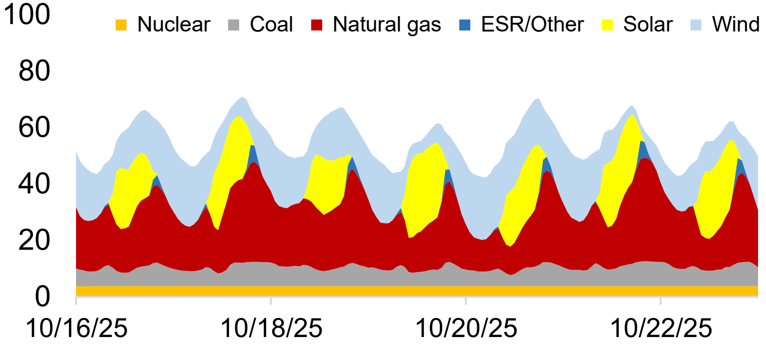
Thousand megawatt-hours (kMWh)



For Oct. 16-22, ERCOT's average hourly electricity load was 55.7 kMWh, down 3.0% w/w, while the maximum hourly load of 71.0 kMWh fell by 5.2% w/w. Variability was the highest in the South Central and North Central regions.

ERCOT hourly electricity generation by source

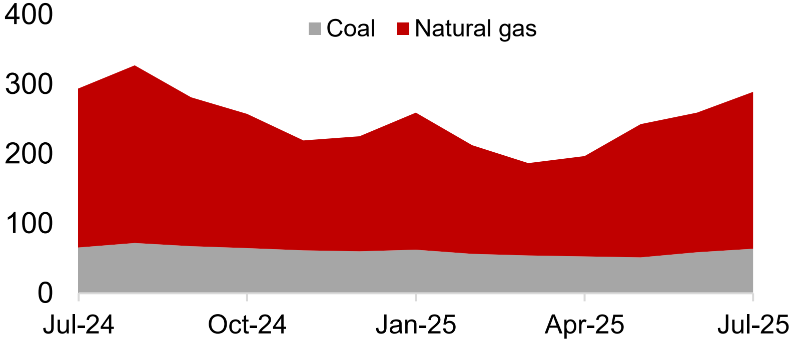
Thousand megawatt-hours (kMWh)



Thermal and other dispatchable resources supplied as much as 86.0% of ERCOT's electricity. From Oct. 16-22, hourly generation ranged between 42–71 kMWh, with a standard deviation of 7.6 kMWh. On the night of Oct. 21, dispatchable sources met 86.0% of load—including 63.4% from natural gas.

Texas electricity plant receipts of natural gas and coal

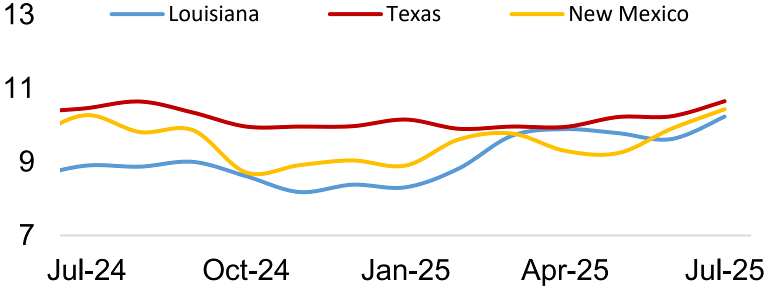
Trillion Btu



Natural gas receipts rose seasonally but remained below year-ago levels in July. Texas power plant receipts of natural gas increased 12.5% m/m but were 1.4% lower than in July 2024. Coal receipts also rose 8.2% m/m yet were down 2.7% y/y.

Electricity prices – average across all end-use sectors

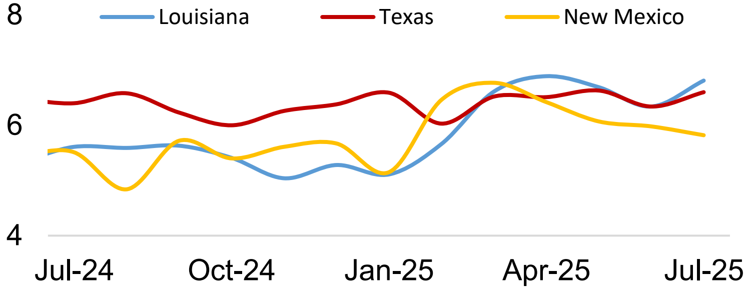
Cents per kilowatt-hour



Texas electricity prices rose in July 2025. The state average increased 4.0% m/m and 1.8% y/y to 10.65 cents per kWh, compared with 10.23 in Louisiana and 10.43 in New Mexico.

Industrial electricity prices

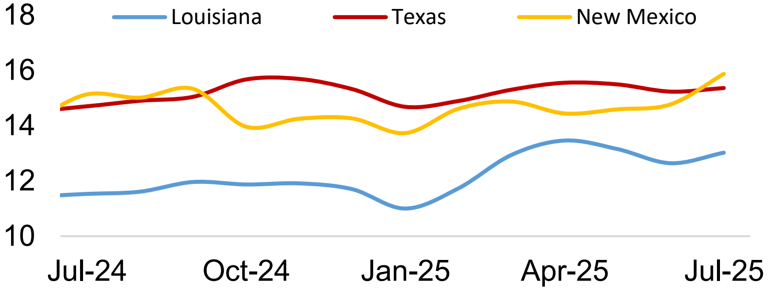
Cents per kilowatt-hour



Texas' industrial electricity prices rose 4.1% m/m and 3.1% y/y to 6.6 cents per kWh in July. Prices in neighboring states also climbed from last year: Louisiana's surged 21.4% y/y to 6.81 cents per kWh—now above the Texas average—while New Mexico's rose 5.6% y/y but remained 11.8% below Texas levels.

Residential electricity prices

Cents per kilowatt-hour

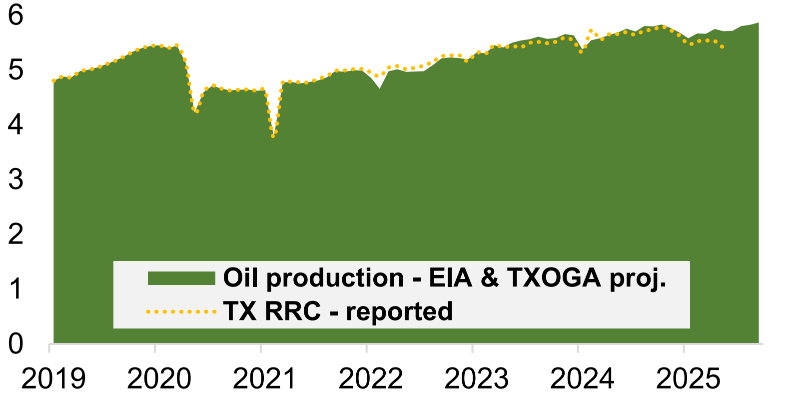


Texas' residential electricity prices rose 0.9% m/m and 4.5% y/y in July to 15.36 cents per kWh. Rates in neighboring states also climbed—up 12.9% y/y in Louisiana and 4.9% y/y in New Mexico—though Louisiana's remain more than 15% below Texas levels.

sources: ERCOT; EIA; TXOGA analysis

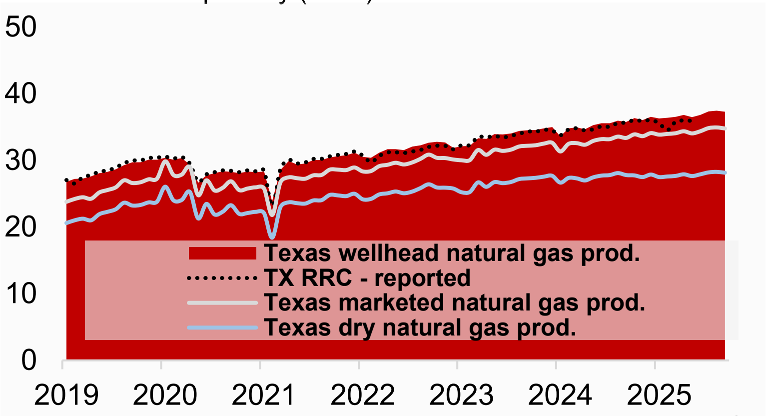
Texas oil and natural gas production

Texas crude oil production, Jan. 2019 – Sep. 2025
Million barrels per day (mb/d)



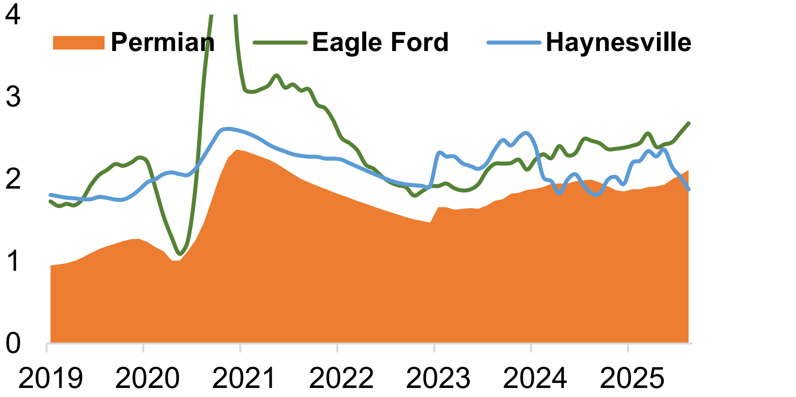
Record-high production. Texas crude oil output set a new all-time high at 5.8 mb/d in July 2025 (EIA), with TXOGA estimates showing production rising further to 5.9 mb/d in September.

Texas natural gas production, Jan. 2019 – Sep. 2025
Billion cubic feet per day (bcf/d)



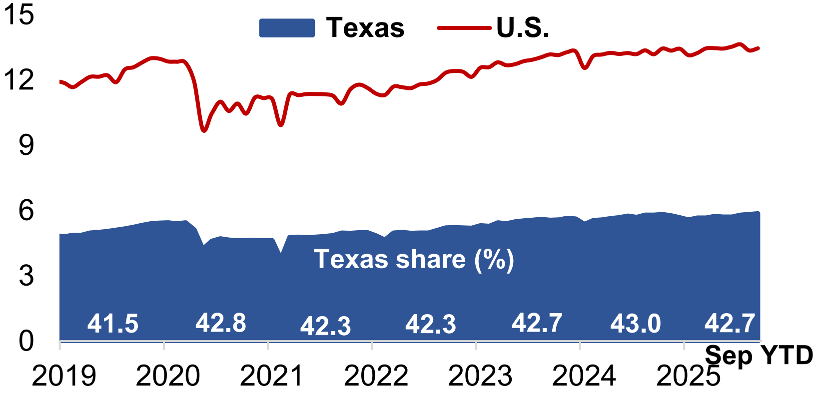
Natural gas production records. Texas produced record-highs of 37.4 bcf/d of natural gas gross withdrawals and 34.8 bcf/d of marketed production in July, per EIA. TXOGA estimates that Texas' marketed production reached 34.9 bcf/d in Aug. and returned to 34.8 bcf/d in Sep.

Texas rig productivity by basin – new monthly prod. per rig
Thousand barrels per day oil-equivalent, kb/doe



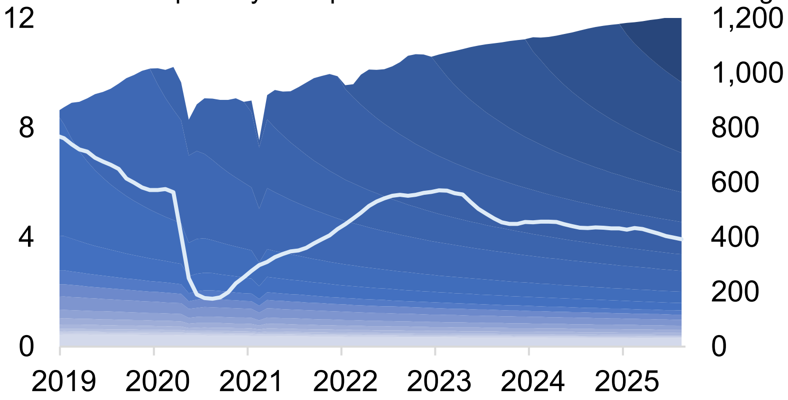
Rig productivity rose in August. EIA estimates of rig productivity for August 2025 rose by 5.8% y/y in the Permian Basin, 8.6% y/y in the Eagle Ford, and 2.7% y/y in the Haynesville.

U.S. and Texas crude oil production, Jan. 2019 – Sep. 2025
Million barrels per day (mb/d)



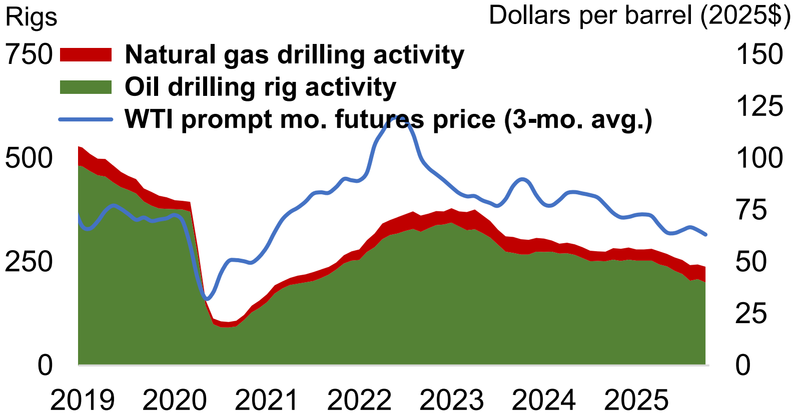
In the first three quarters of 2025, Texas accounted for **42.7%** of total U.S. crude oil production.

Texas shale basin wellhead oil & natural gas production
Million barrels per day oil-equivalent



EIA estimates show oil and natural gas production growth across Texas shale basins in August 2025, including the Permian (+3.4% y/y), Eagle Ford (+1.0% y/y), and Haynesville (+10.3% y/y).

Texas drilling activity and WTI crude oil futures prices



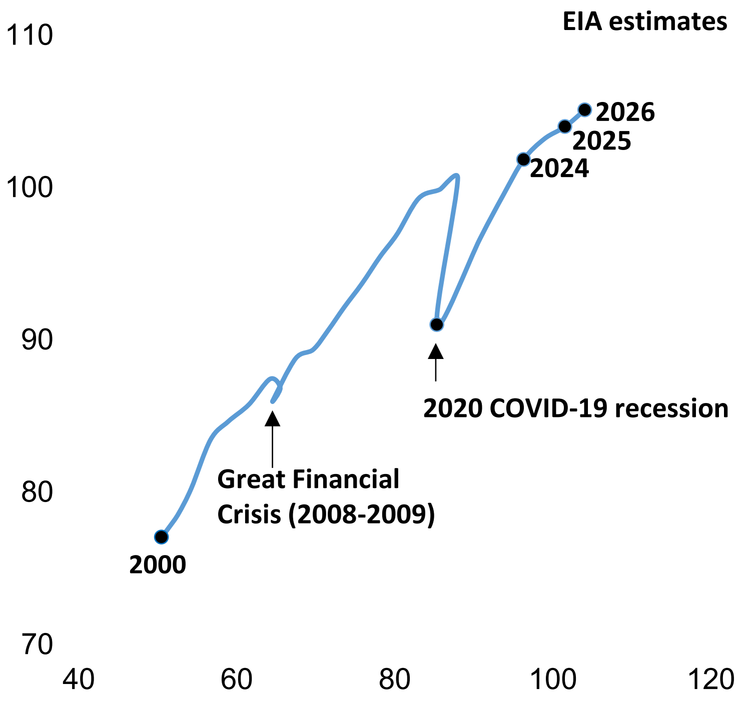
As of October 24, Texas' total rigs decreased, according to Baker Hughes, with 196 oil-directed rigs (down 2 rigs w/w) and 39 natural gas-directed rigs (up 1 rig w/w).

sources: U.S. Energy Information Administration; Texas Railroad Commission; Baker Hughes; CME Group; TXOGA analysis

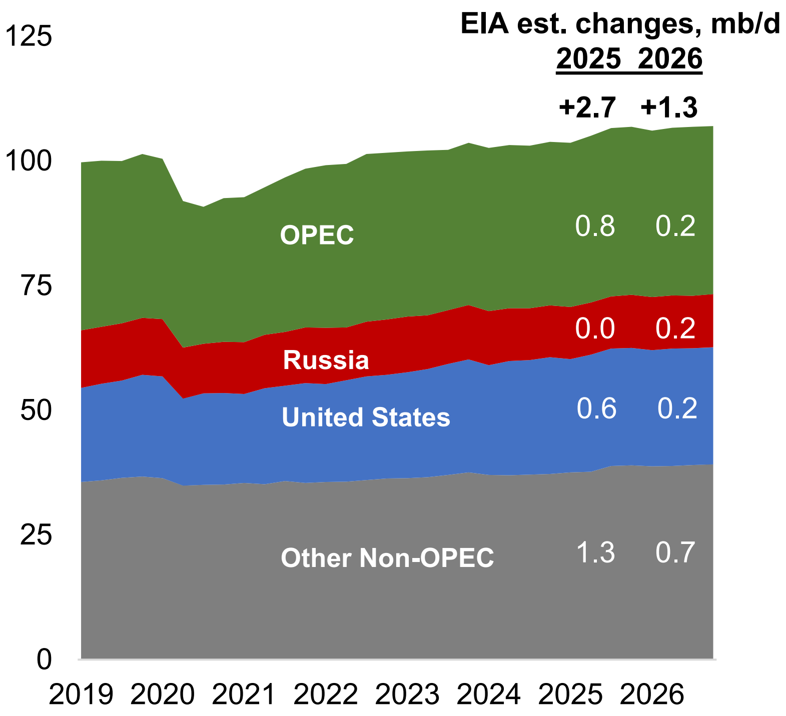
Global oil demand outlook upgraded

- In its October update, EIA raised its 2025 global oil demand estimates, still expecting a third consecutive record, but at higher levels: 104.0 mb/d in 2025 (+0.2 mb/d vs. prior report) and 105.1 mb/d in 2026 (unchanged), effectively advancing demand.
- EIA raised its 2025 global supply growth by 0.3 mb/d and its 2026 outlook by 0.2 mb/d, with higher supply from all sources
- Brent crude oil prices are now projected to average $69 per barrel in 2025 and $52 in 2026—compared with about $66 currently

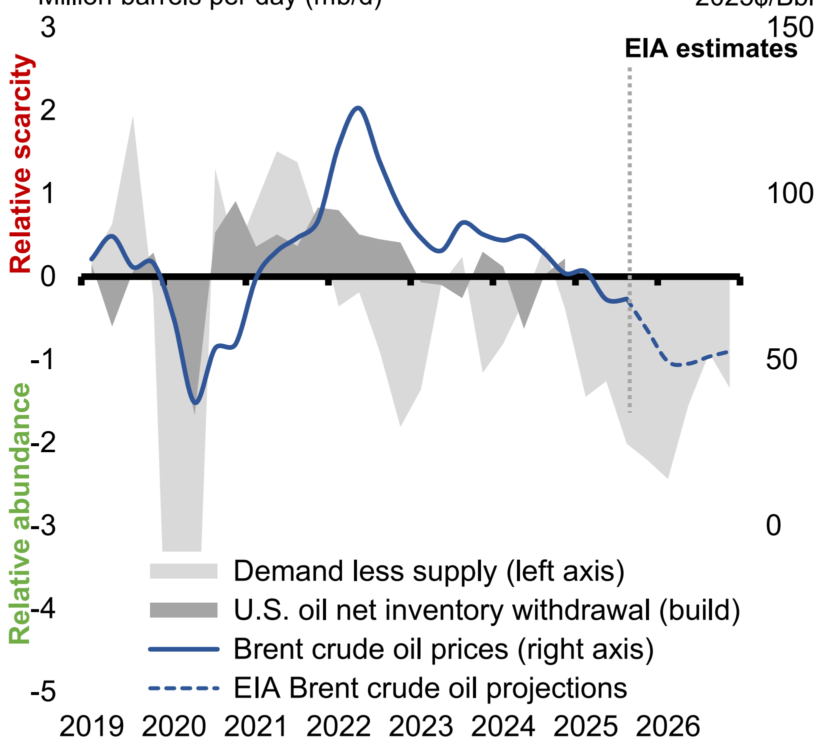
Global oil demand vs. GDP



Oil production by country/region



Global demand/supply & Brent prices



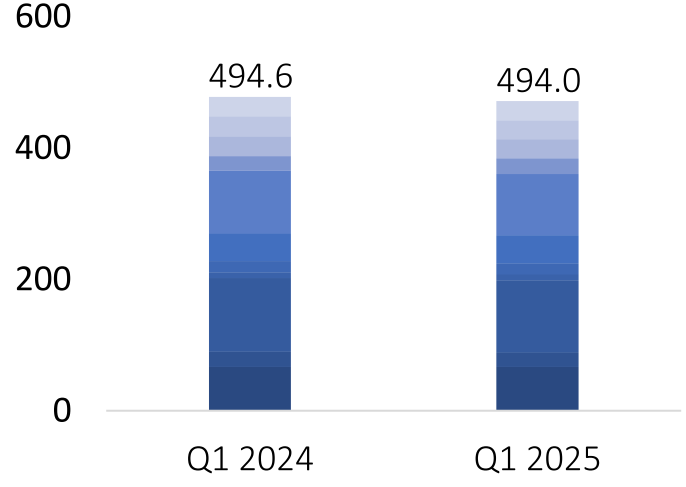
sources: U.S. Energy Information Administration (Oct. 2025); TXOGA analysis

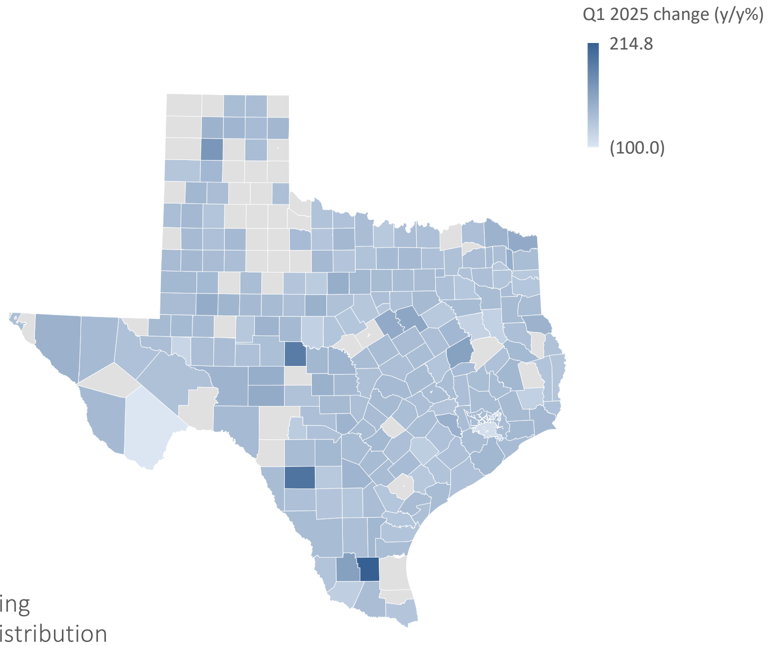
Texas oil & gas jobs dipped, wages reached record high in Q1 2025

- Texas oil and natural gas industry employment fell 0.1% year-over-year (y/y) in Q1 2025 to 493,958 jobs, while industry wages edged up 0.2% y/y to $20.9 billion—the highest on record.
- Although overall employment held steady, several industry segments posted notable changes. Petroleum refinery employment rose 10.8% y/y to 51,732 jobs; petrochemical manufacturing expanded 4.0% y/y to 18,279 jobs; nitrogenous fertilizer manufacturing jumped 15.6% y/y to 578 jobs; and industrial sand mining fell 26.4% y/y to 3,789 jobs, according to data from the U.S. Census Bureau and the Texas Workforce Commission.

Texas oil and natural gas industry direct employment fell by +0.1% y/y in Q1 2025

Thousand Jobs

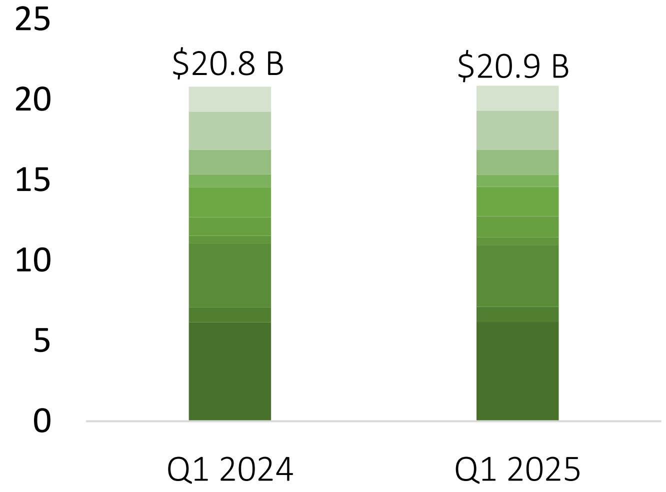




* Other industry segments include petroleum and pet. product wholesalers, lubricant mfg., asphalt mfg., industrial sand mining, nitrogenous fertilizer mfg., basic organic chem. mfg., plastics and resin mfg.

Texas oil and natural gas industry direct wages rose by +0.2% y/y in Q1 2025

Billion dollars



sources: U.S. Census Bureau; Texas Workforce Commission

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