



**January 26, 2026**





**The TXOGA Chartbook is an essential resource for our members and those interested in understanding the data reflecting ongoing developments within the economy and the oil and gas sectors, both internationally and domestically, including specific trends in Texas.**

## **Key points – Entering the Week of January 26, 2026**

- **Underlying U.S. economic momentum softened in Q4, with tentative signs of stabilization entering Q1, while financial conditions continue to restrain investment.** Industrial production firmed in December (+2.0% y/y), supported by solid capacity utilization (76.3%), but BEA data show economy-wide investment remained flat in Q3, underscoring continued caution amid uncertainty. High-yield borrowing costs stayed elevated near 12.2%, with Fed funds futures around 3.6%, leaving an 8.6% risk premium that continues to weigh on capital deployment. Meanwhile, the Philadelphia Fed’s ADS Index weakened through Q4 but has recently stabilized and edged higher, suggesting a possible—though still tentative—pickup in underlying activity entering Q1.
- **Oil markets remained range-bound with limited near-term conviction.** WTI prompt-month prices held near \$60/bbl, as easing Iran-related geopolitical risk was offset by slower-than-expected Venezuelan export growth and modest upward revisions to IEA and EIA demand outlooks, leaving prices near recent averages. The forward curve remained flat through 2027, consistent with balanced fundamentals and muted momentum. U.S. petroleum net exports rose to 2.6 mb/d within their recent range, petroleum demand slipped to 20.2 mb/d but remained in the upper third of the five-year range, and crude inventories (excluding the SPR) increased modestly while staying near the lower end of historical norms, reinforcing continued consolidation rather than a sustained directional move.
- **Natural gas prices rebounded sharply after a material deviation from historical norms, validating mean-reversion signals.** Natural gas futures rose more than 70% w/w to \$5.42/MMBtu, as winter storms boosted U.S. heating demand and global LNG demand remained strong—overwhelming the near-term influence of historically elevated working gas storage. This week’s [Chart of the Week](#) highlights how prices snapped back after falling to just above \$3.00/MMBtu, a level inconsistent with winter seasonality and record-high U.S. LNG exports. Following the rebound, near-term futures now exceed their mean-reversion threshold but are projected to realign beginning in March 2026, with the March–December 2027 strip averaging ~\$3.80/MMBtu (about 7.5% lower y/y), indicating markets continue to price looser medium-term balances even as structural demand and export growth skew risks toward episodic upside volatility.

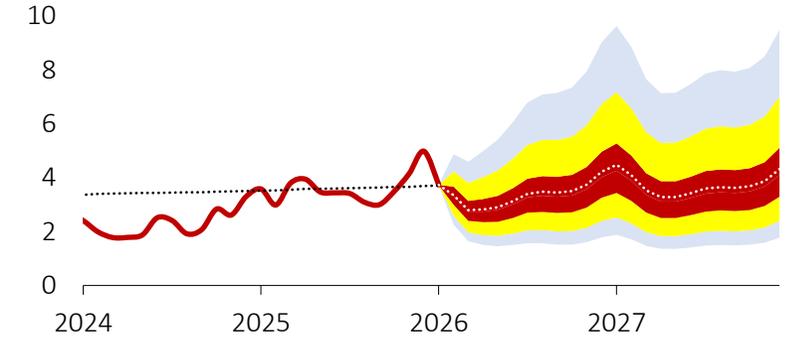


## Chart of the Week: Mean Reversion Analysis Proved Useful Once Again



- **Natural gas prices snapped sharply higher after deviating materially from historical norms.** Over the past two weeks, TXOGA's Weekly Chartbook flagged the unusual decline in natural gas futures to just above **\$3.00/MMBtu**, despite historically strong production and storage levels. That weakness stood in tension with winter seasonality and record-high U.S. LNG exports--conditions that historically limit downside persistence.
- **Prices responded in line with analytics.** Prompt-month natural gas futures surged over **70% week-over-week**, as winter storms across much of the U.S. coincided with colder-than-normal conditions in Europe and northern Asia--reinforcing expectations of sustained U.S. LNG export demand. This marked the **12th-largest week-over-week percentage increase since 1997**, reflecting both tightening fundamentals and the seasonal roll from January into February, historically the winter demand peak.
- **Forward curve signals re-anchoring beyond winter risk.** As of January 23, near-term futures prices exceeded their historical mean-reversion threshold but are projected to re-align beginning in **March 2026**. Notably, the **March–December 2027 strip averages ~\$3.80/MMBtu**, roughly **7.5% lower year-over-year** than the remainder of 2026—indicating that markets continue to price a looser medium-term supply-demand balance despite projections for new highs in U.S. and Texas natural gas exports next year.

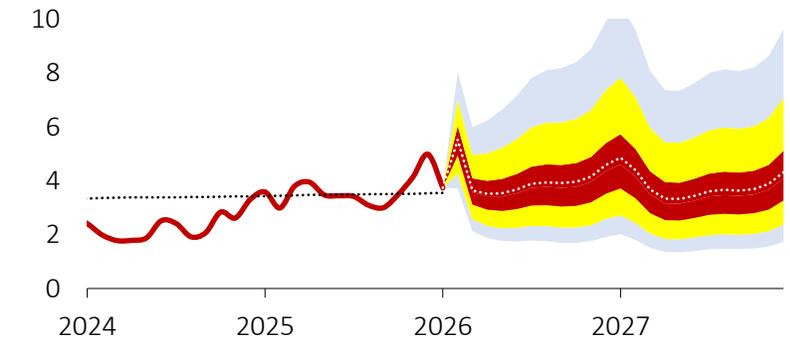
January 19 - Natural gas futures mean reversion analysis  
Dollars per mmbtu (2025\$)



Natural gas prompt month futures prices  
Dollars per million Btu



January 26 - Natural gas futures mean reversion analysis  
Dollars per MMBtu (2025\$)

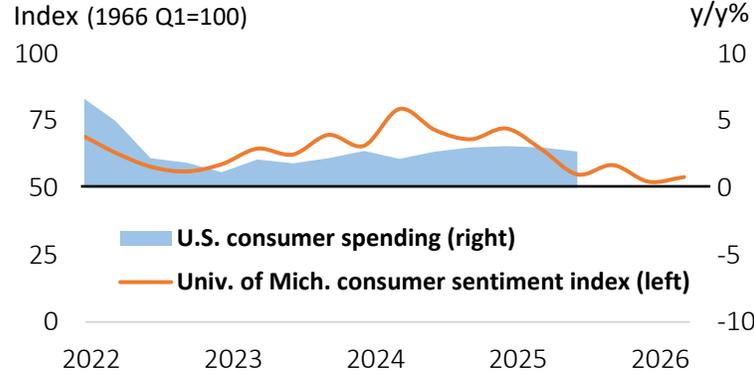




# U.S. economic indicators: Underlying U.S. momentum is slowing; trade remains the primary offset

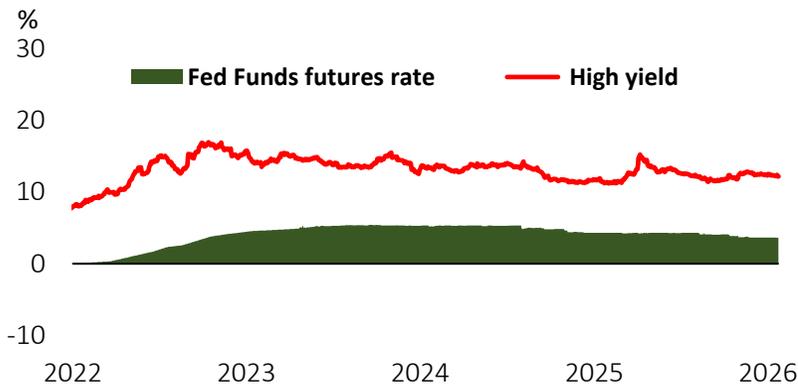


## Consumer sentiment and spending trends



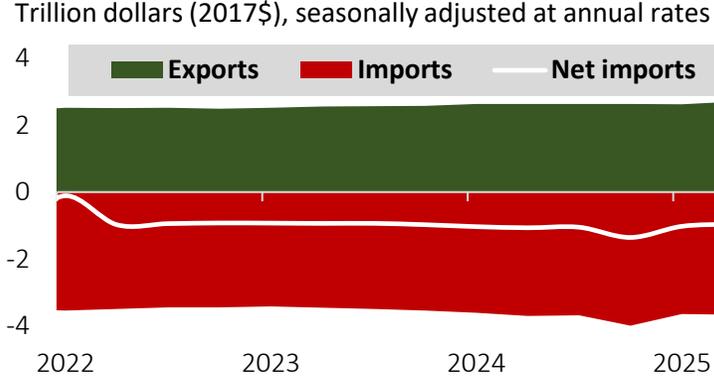
**Consumer sentiment edged up 2.1% m/m but remained 24.1% y/y lower.** January survey results showed weaker confidence among higher-income households and modest improvement among lower-income households—a shift that is net bearish for consumer spending, as higher-income households drive a disproportionate share of discretionary demand.

## Interest rates and high-yield borrowing costs



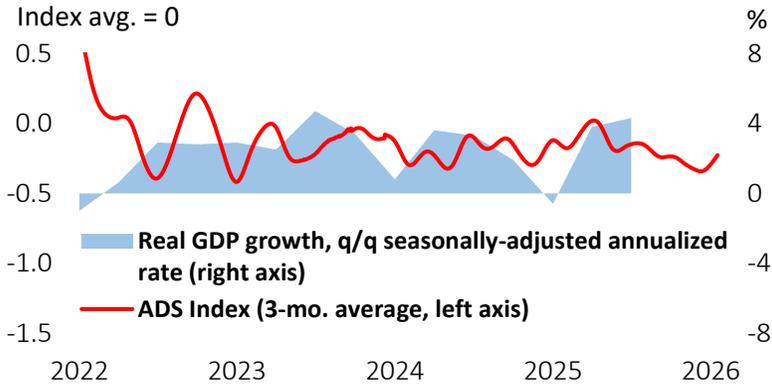
**Credit conditions for lower-quality issuers remained stable.** As of Jan. 23, high-yield borrowing costs held steady at 12.2% while Fed funds futures remained near 3.6%, implying an 8.6 percentage-point premium—broadly in line with the post-2019 median.

## U.S. trade balance and petroleum exports



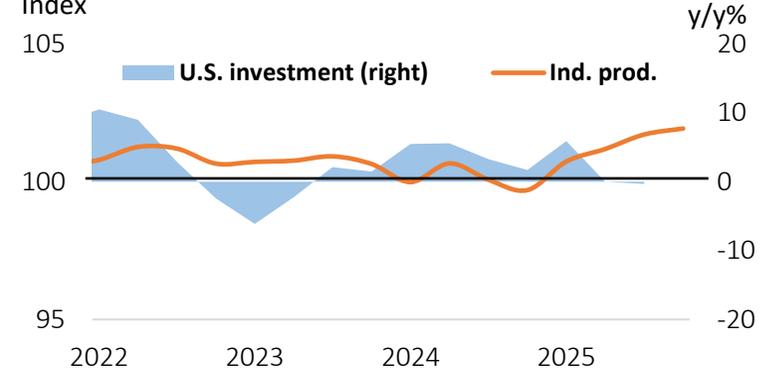
**Trade supported growth in Q3.** The U.S. trade deficit narrowed to an annualized \$0.96 trillion—more than one-third of GDP growth—helped by a rising petroleum trade surplus that partially offset softer domestic demand.

## ADS Index and real GDP growth



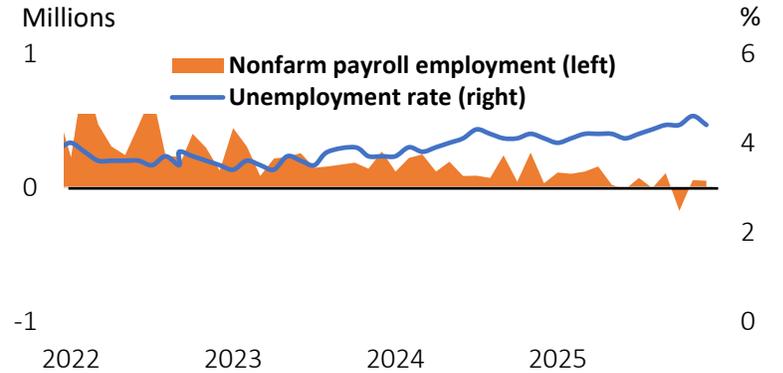
**Underlying momentum softened in Q4, with early signs of stabilization entering Q1.** Although the Philadelphia Fed's ADS Index weakened through Q4, it has recently stabilized and edged higher, suggesting the possibility of a modest pickup in activity entering Q1.

## Industrial production and investment



**Industrial production firmed while investment remained constrained by uncertainty.** Industrial production rose 2.0% y/y in December, supported by sustained output growth and solid capacity utilization (76.3%, up 0.2 pp m/m). However, BEA data show economy-wide investment was flat q/q in Q3, reflecting continued caution amid elevated macro and policy uncertainty despite improving production conditions.

## Employment and unemployment trends



**Labor market conditions remained muted.** Payrolls rose 50,000 in November, while the unemployment rate fell 0.2 percentage points to 4.4%. Downward revisions to prior months—including a 68,000 cut to October payrolls—more than offset the latest gain.

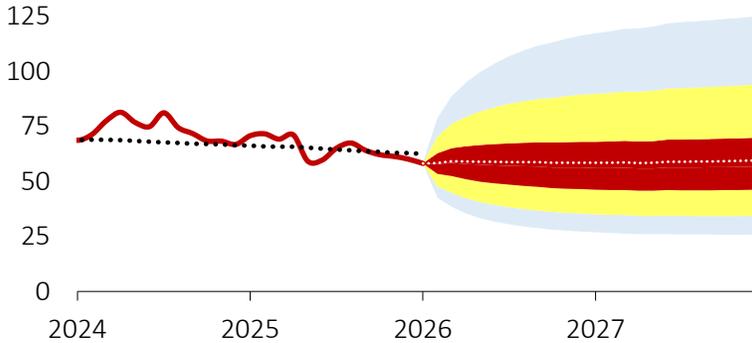


# Oil markets remained range-bound, with tight inventories and geopolitical risk offset by muted demand and limited near-term momentum



## WTI futures mean reversion analysis

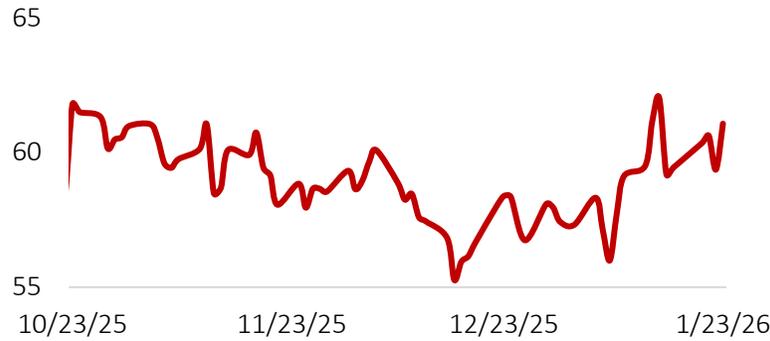
Dollars per barrel (2025\$)



WTI futures remain near their long-run mean-reversion target, with the forward curve remaining flat through 2027—consistent with balanced fundamentals and limited near-term directional conviction.

## WTI crude prompt month futures prices

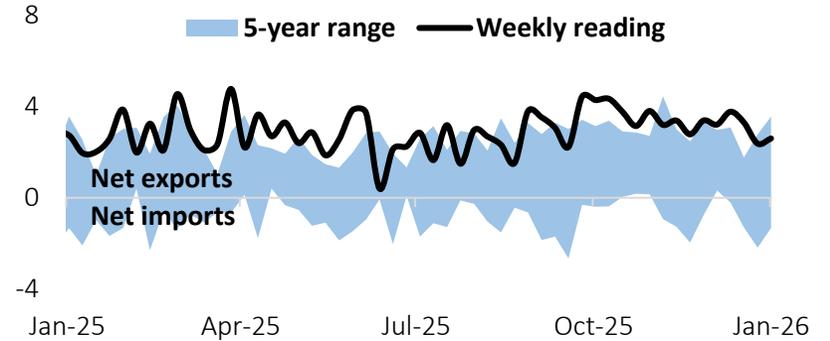
Dollars per barrel



WTI prices remained range-bound near \$60 per barrel. As of January 23, prompt-month WTI futures hovered near \$60/bbl, with easing Iran-related geopolitical risk offset by slower-than-expected Venezuelan export growth and modest upward revisions to IEA and EIA demand outlooks—leaving prices anchored near recent averages.

## U.S. petroleum net exports (imports)

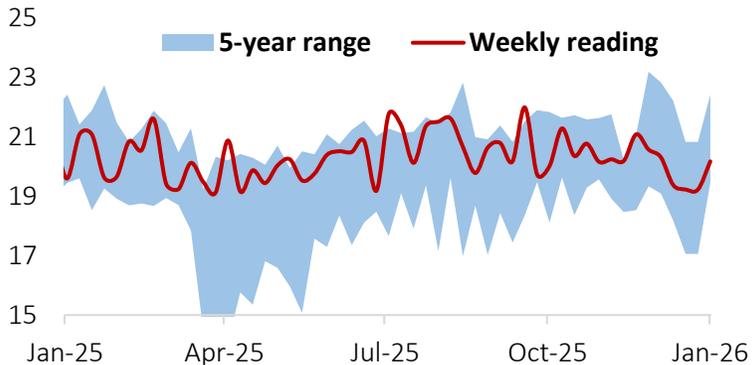
Million barrels per day, mb/d



U.S. petroleum net exports rose to 2.6 mb/d for the week ended January 16, up 0.2 mb/d w/w, remaining within their recent range.

## U.S. petroleum demand

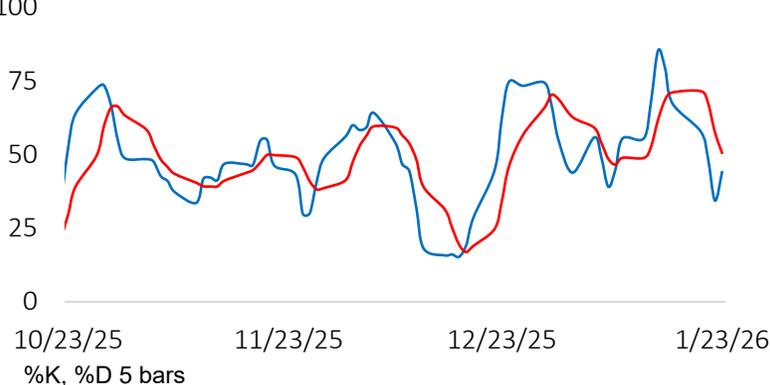
Million barrels per day (mb/d)



U.S. petroleum demand fell to 20.2 mb/d for the week ended January 16, down 0.8 mb/d w/w, placing deliveries in the top third of the five-year range.

## WTI futures momentum indicator

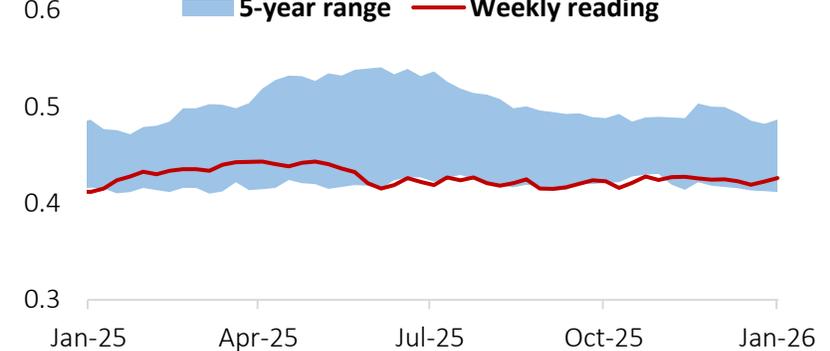
Index level



Momentum softened, reinforcing sideways price action. Price momentum eased during the week ended January 23, consistent with continued consolidation and limited trend formation rather than a sustained directional move.

## U.S. crude oil inventories (excluding the SPR)

Billion barrels



U.S. crude oil inventories rose 3.6 million barrels in the week ended January 16 and climbed to the bottom 20% of the five-year range.

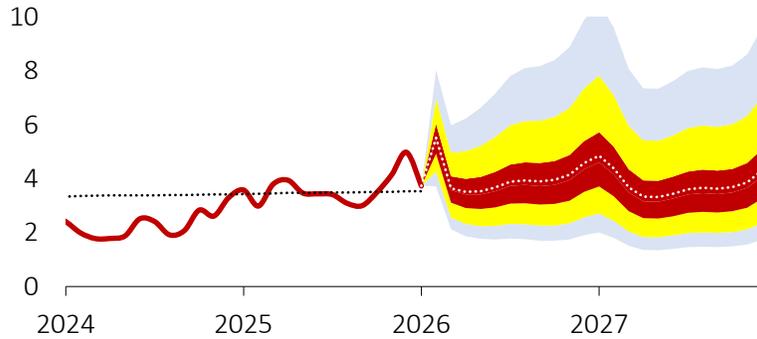


# Near-term natural gas prices softened, but structural demand and export growth skew risks toward upside volatility



## Natural gas futures mean reversion analysis

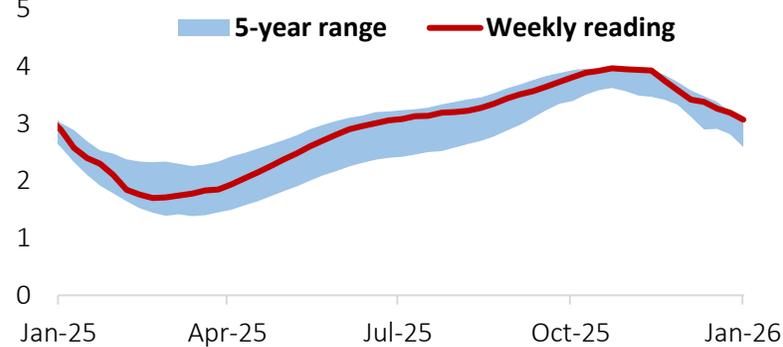
Dollars per MMBtu (2025\$)



Near-term natural gas futures have risen above their historical mean-reversion path, skewing risks toward downside volatility —particularly once seasonal winter weather normalizes.

## Working natural gas storage

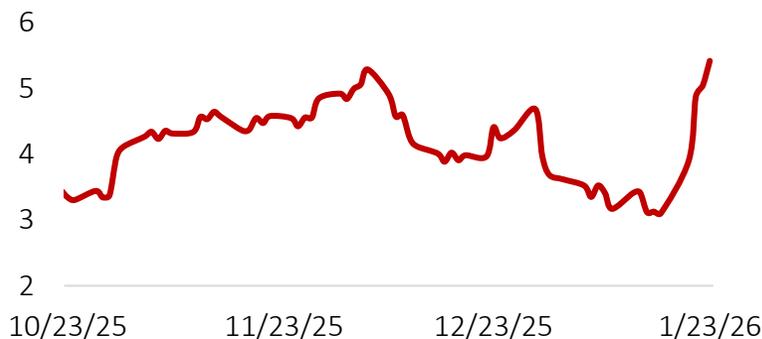
Trillion cubic feet (tcf)



Working natural gas storage declined 3.8% w/w to 3.07 tcf as of January 16 and remains at the top of the five-year range.

## Natural gas prompt month futures prices

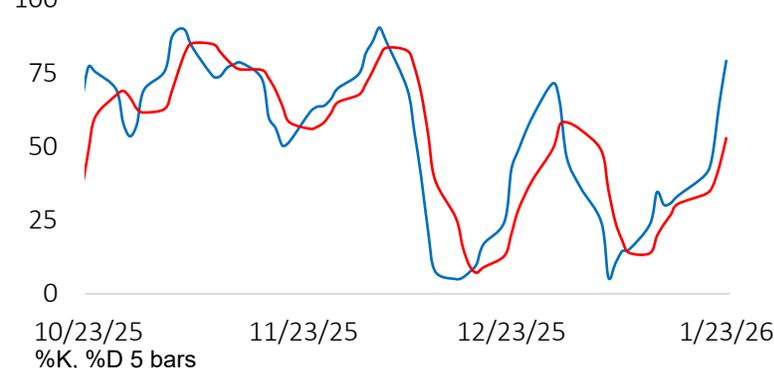
Dollars per million Btu



Natural gas prices surged sharply on winter-driven demand. Prompt-month natural gas futures jumped over 70% w/w to \$5.42/MMBtu as of January 23, as widespread winter storms boosted U.S. heating demand and global LNG exports remained strong—overwhelming the near-term influence of historically elevated working gas storage levels.

## Natural gas futures momentum indicator

Index level

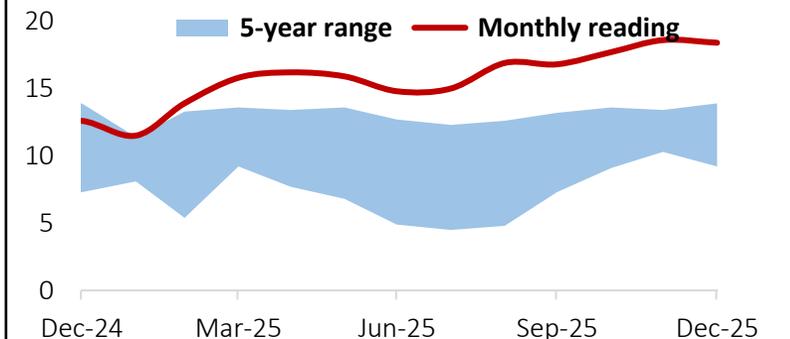


### Momentum accelerated, confirming the price breakout.

Price momentum strengthened during the week ended January 23, consistent with the sharp upward move in prompt-month prices and signaling a decisive break from prior consolidation.

## U.S. natural gas net exports

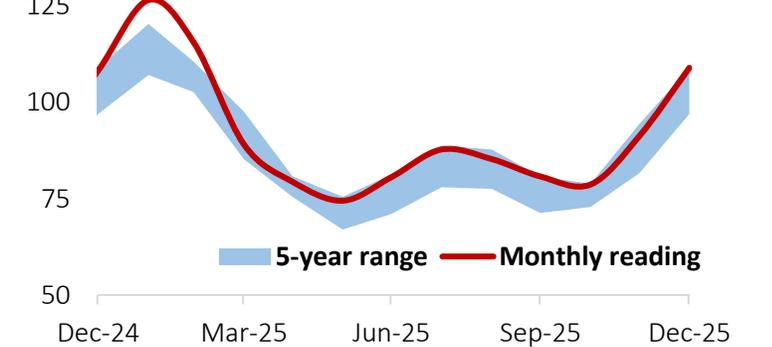
Billion cubic feet per day, bcf/d



U.S. natural gas net exports rose 46% y/y to 18.4 bcf/d in December, per EIA estimates, underscoring LNG exports' growing structural role in tightening the U.S. gas balance.

## U.S. natural gas consumption

Billion cubic feet per day, bcf/d



U.S. natural gas consumption rose 0.6% y/y to 109.0 bcf/d in December, per EIA estimates, reflecting seasonal normalization and continued strength in power and industrial demand.

sources: U.S. Energy Information Administration; CME Group; BLS; TXOGA analysis

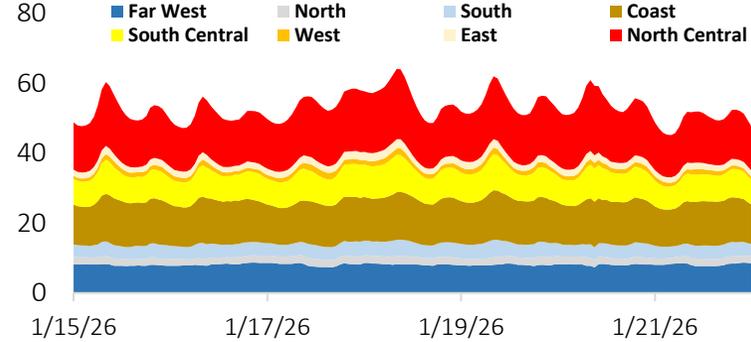


# Texas electricity – dispatchable supply anchored reliability as prices eased



## ERCOT electricity load by region

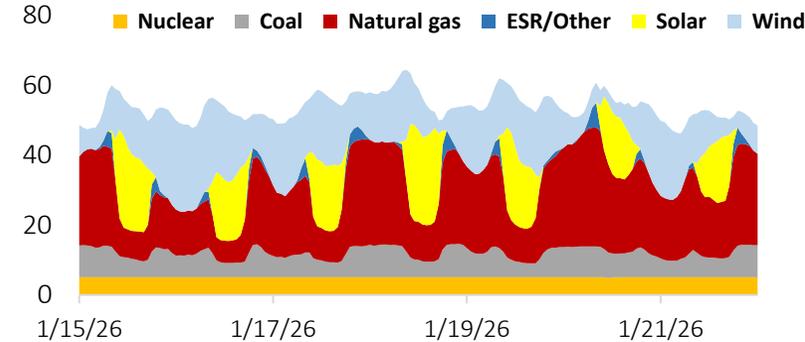
Thousand megawatt-hours (kMWh)



For Jan. 15-21, ERCOT's average hourly electricity load was 53.0 kMWh, up 5.3% w/w, while the maximum hourly load of 64.1 kMWh rose by 9.5% w/w. Variability was the highest in the West and North Central regions.

## ERCOT hourly electricity generation by source

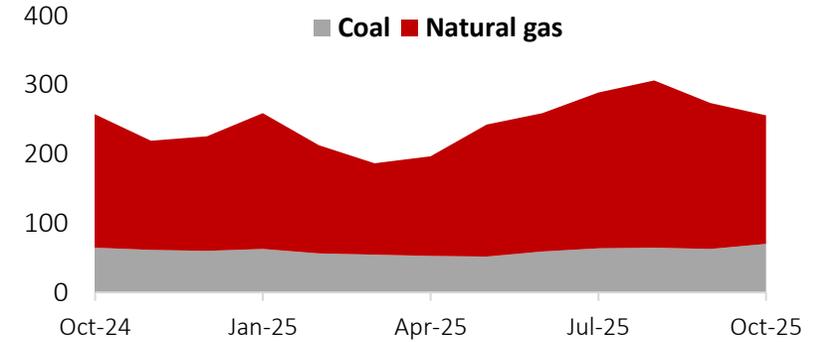
Thousand megawatt-hours (kMWh)



**Dispatchable generation dominated ERCOT's supply.** From Jan. 15-21 thermal and other dispatchable resources supplied as much as 89.0% of ERCOT's total generation, including 62.4% from natural gas. Hourly generation ranged between 46 and 64 thousand MWh, with a standard deviation of 3.8 thousand MWh, indicating higher and more variable seasonal load versus the prior week.

## Texas electricity plant receipts of natural gas and coal

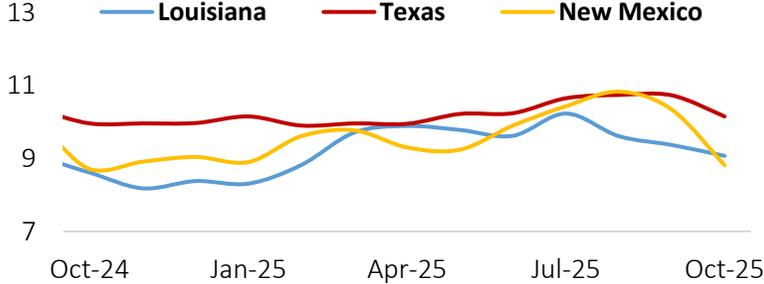
Trillion Btu



**Natural gas-coal switching accelerated.** Power plant receipts of natural gas in Texas decreased in October by 12.0% m/m and 3.5% y/y, while coal receipts rose 12.3% m/m and 8.4% y/y, reflecting switching towards coal at natural gas prices above \$4.00 per million Btu.

## Electricity prices – average across all end-use sectors

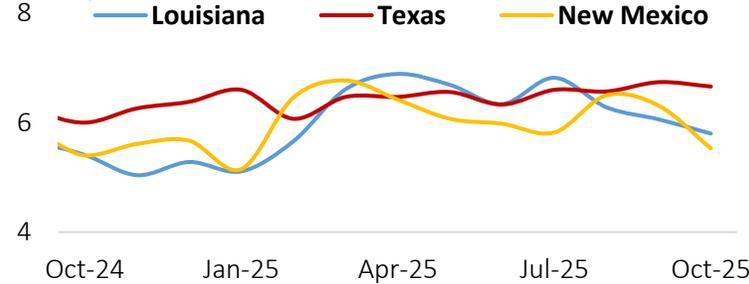
Cents per kilowatt-hour



**Texas electricity prices eased in October.** Average statewide electricity prices fell 5.4% m/m but rose 1.9% y/y to 10.15 ¢/kWh, compared with 8.81 ¢ in Louisiana and 9.07 ¢ in New Mexico.

## Industrial electricity prices

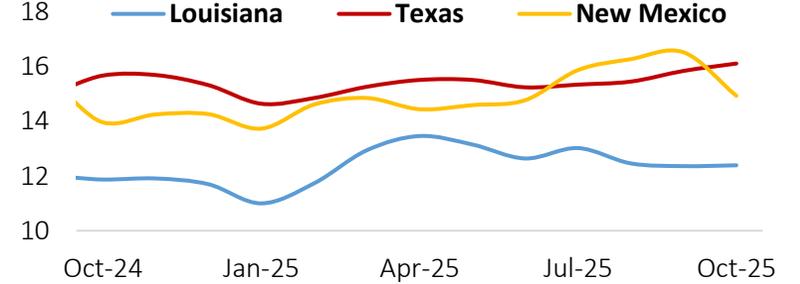
Cents per kilowatt-hour



**Industrial electricity prices slipped.** Industrial rates in Texas fell 1.3% m/m but remained up 11.0% y/y to 6.66 ¢/kWh in October. Prices in neighboring states rose less so versus year-ago levels—7.2% y/y in Louisiana and 2.4% y/y in New Mexico.

## Residential electricity prices

Cents per kilowatt-hour



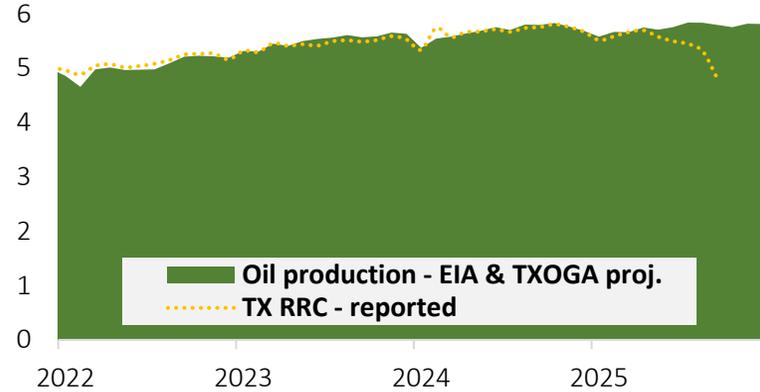
**Residential rates rose.** Residential electricity prices in Texas increased 1.7% m/m and 2.8% y/y to 16.11 ¢/kWh in October. Rates also rose 4.4% y/y in Louisiana and 6.9% y/y in New Mexico, though Louisiana's rates remained 23% lower than those in Texas.



# Texas oil and natural gas production remained strong through year-end 2025, driven by productivity gains rather than higher drilling activity

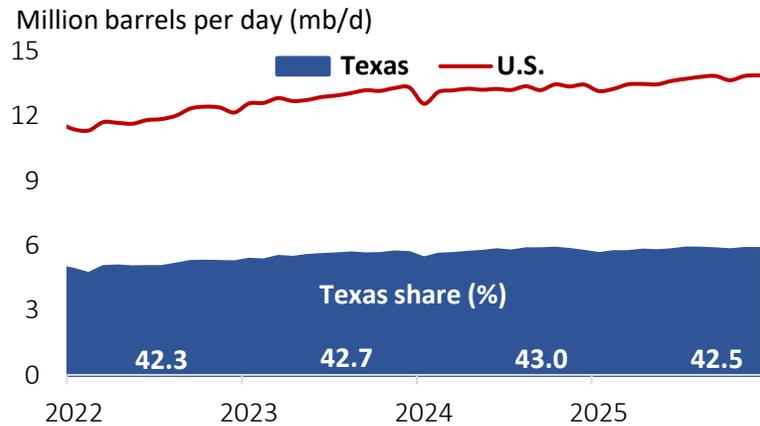


**Texas crude oil production, Jan. 2022 – Dec. 2025**



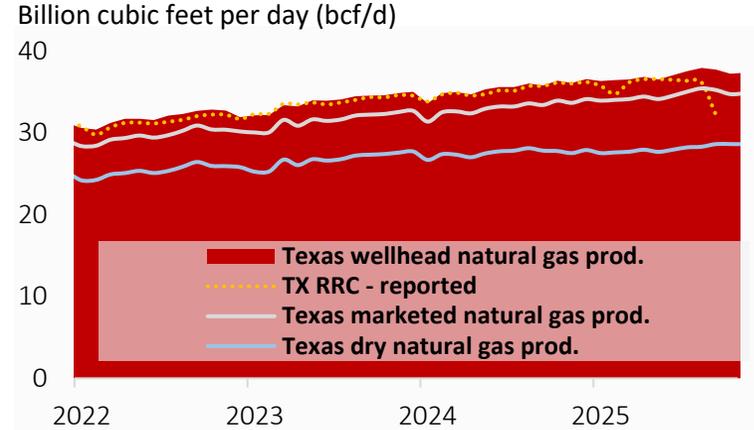
**Record annual crude oil production (5.75 mb/d).** Texas output held near record highs through late 2025, with EIA data showing 5.8 mb/d in October and TXOGA estimates indicating production remained near that level through December.

**U.S. and Texas crude oil production, Jan. 2022 – Dec. 2025**



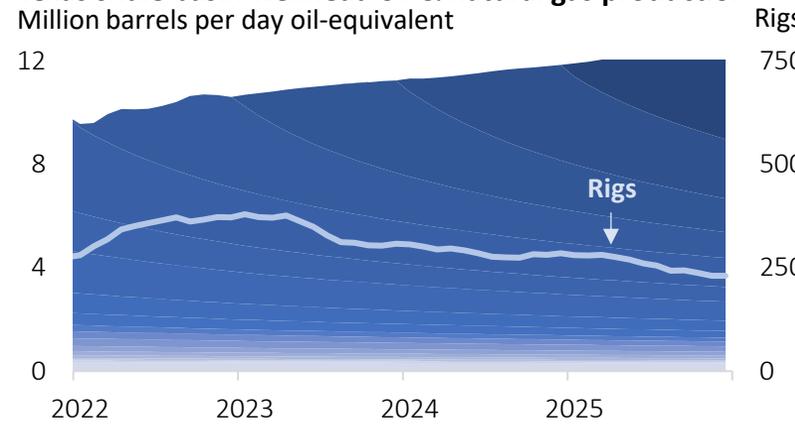
**Texas share of U.S. production.** Texas accounted for nearly 43% of total U.S. crude oil production in 2025.

**Texas natural gas production, Jan. 2022 – Dec. 2025**



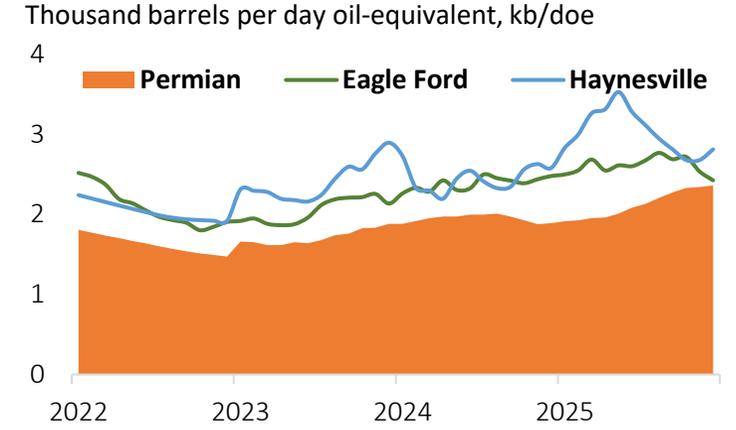
**Natural gas production remained near record levels through late 2025.** Texas produced 34.8 bcf/d of marketed natural gas in October (EIA), with output estimated to have risen to 34.9 bcf/d in December, underscoring continued resilience despite lower prices.

**Texas shale basin wellhead oil & natural gas production**



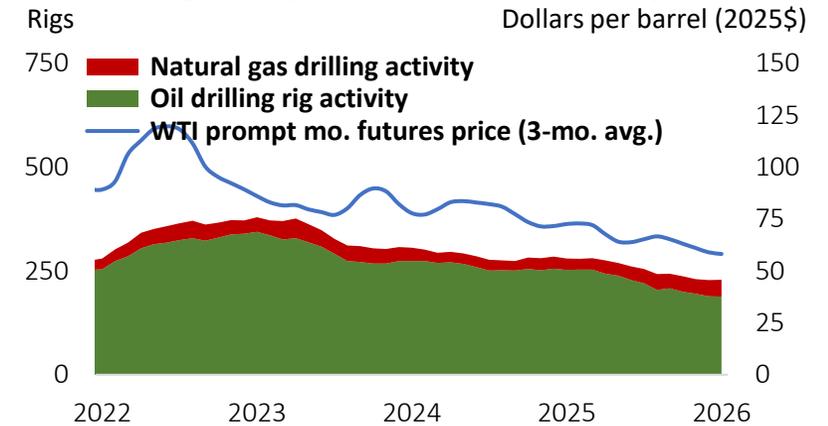
EIA estimates show continued production growth across major Texas shale basins in December 2025, including the Permian (+4.7% y/y), Haynesville (+8.5% y/y), and Eagle Ford (+3.5% y/y).

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



EIA estimates that rig productivity continued to improve in the Permian (+25.1% y/y) and Haynesville (+9.1% y/y) but slipped 2.2% y/y in the Eagle Ford.

**Texas drilling activity and WTI crude oil futures prices**

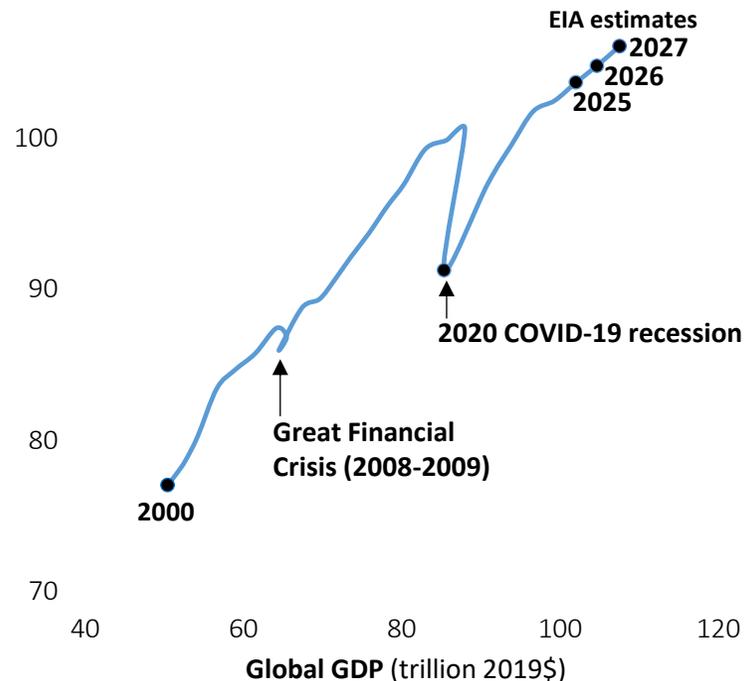


**Drilling activity continued to ease alongside lower prices.** As of January 23, Texas operated 186 oil-directed rigs (unchanged w/w) and 41 gas-directed rigs (+1 rig w/w), highlighting how productivity gains are sustaining production.

- ▶ **Global oil demand moderates but remains resilient.** EIA trimmed its demand outlook by 0.2 mb/d to 103.7 mb/d in 2025 and 0.4 mb/d to 104.8 mb/d in 2026, while extending projections to 106.1 mb/d in 2027--consistent with continued GDP-linked consumption growth.
- ▶ **Supply growth peaks in 2026 before easing, reducing, but not eliminating, oversupply.** Global supply growth was revised up 0.2 mb/d to +1.4 mb/d in 2026, led by non-OPEC producers, but is projected to slow to +0.5 mb/d in 2027, including a 0.3 mb/d decline in U.S. output.
- ▶ **EIA assumes surplus conditions persist despite slower supply growth.** Even with a narrower oversupply, EIA projects Brent prices to drift lower--averaging \$56/bbl in 2026 and \$54/bbl in 2027, versus roughly \$63/bbl currently--implying continued inventory builds and limited price support.
- ▶ **EIA's price path contrasts with market expectations.** WTI futures remain above \$58/bbl through the remainder of 2026 and across 2027, suggesting markets place greater weight on supply discipline, productivity gains, or demand resilience than reflected in EIA's outlook.
- ▶ **Implication: productivity assumptions matter.** The projected U.S. production decline runs counter to recent productivity trends, underscoring the importance of closely tracking realized well performance, efficiency gains, and cost dynamics as the outlook evolves.

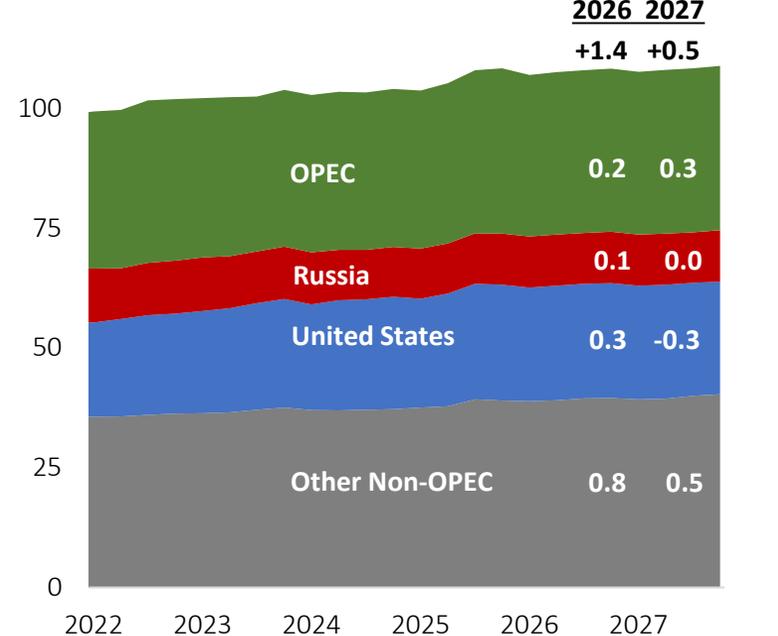
## Global oil demand vs. GDP

Global oil demand (million barrels per day, mb/d)



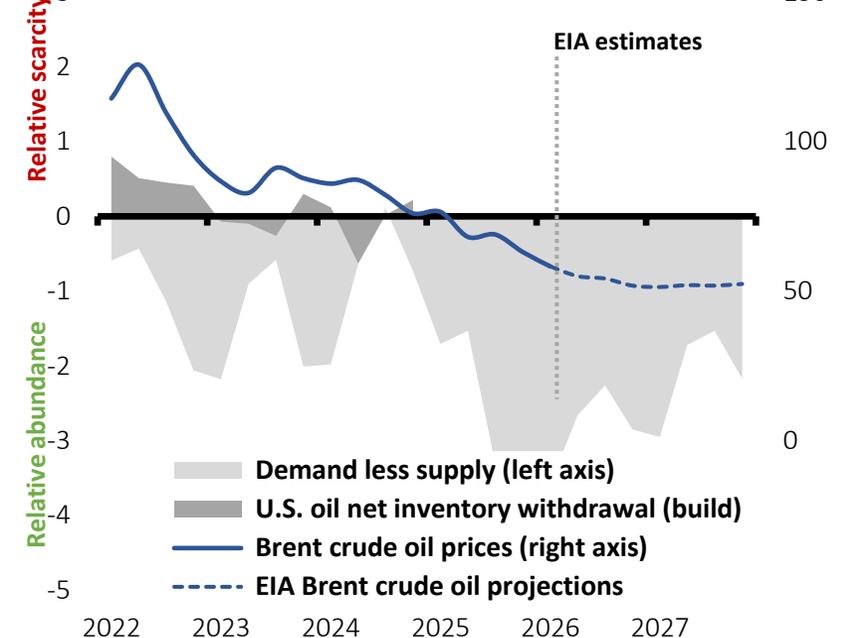
## Oil production by country/region

Million barrels per day, mb/d



## Global demand/supply & Brent prices

Million barrels per day (mb/d) 2025\$/Bbl



## TXOGA Economic Insights

TXOGA's economic insights serve as a vital reference for our members as well as those who are interested in understanding data which tell the story of what's happening with the economy as well as oil and gas markets at the Texas, U.S. and global levels.

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