Oil and Gas Updates

***Maintain* NEUTRAL**

Another Month, Another Increase

DEVELOPMENT

- **Another supply increase in November**. OPEC+ announced on Sunday that it will increase oil production starting in November by 137,000 barrels per day (bpd), maintaining the same output increase that was announced in October. This decision comes despite expectations of a global supply surplus for this year and in 2026. The increase in supply was largely anticipated, as Saudi Arabia aims to gain more market share to strengthen its government revenue, given its increasing budget deficit. It also seeks to fend off competition from U.S. shale producers and other countries such as Brazil, Canada, Guyana, and Argentina.
- **Price reacted strongly in the anticipation**. In the week leading up to the announcement, the market experienced significant fluctuations as speculation about a potential supply increase circulated in the media. Although oil prices settled higher on Friday—with Brent crude futures rising by 42 cents (0.7%) to $64.53 a barrel and U.S. West Texas Intermediate crude increasing by 40 cents (0.7%) to $60.88—the overall trend for the week was a decline. Brent fell by 8.1%, marking its largest weekly loss in over three months, while WTI dropped by 7.4%.

OUR VIEW

- **Downside risks remain.** The new supply levels are expected to place additional pressure on oil prices, given the growing supply surplus and the inability of demand to fully absorb the excess. According to the latest Short-Term Energy Outlook (STEO) released in September 2025, the U.S. Energy Information Administration (EIA) anticipates a supply increase of 2.3 million barrels per day in 2025, more than double the expected demand rise of 0.7 to 0.9 million barrels per day.
- **But oil prices might reach the floor**. However, there are some positive factors that could support crude oil prices. One is that OPEC+ has been producing oil below its quota levels throughout the year, as not all OPEC producers have the capacity to increase output. Currently, it is understood that OPEC+ is producing about three-quarters of what it has promised. Additionally, Russia, the largest producer in the cartel after Saudi Arabia, faces potential supply disruptions due to Ukrainian strikes on its oil facilities and pressure from the U.S. and Europe on its oil sector. China's persistent crude oil stockpiling also helps mitigate the impact of the increased supply.
- **Brent to trade between $65 and $70 per barrel.** We believe the oil market is navigating a complex environment characterized by a surplus of crude oil and a fragile balance between rising supply, moderate demand, and unpredictable external influences. Given these challenges and the volatility of supply and demand, we project that Brent crude will average between $65 and $70 per barrel in the fourth quarter of 2025 to early 2026. The price range is higher that the Friday close at $64.53.
- **Maintain neutral.** We maintain a neutral outlook for the sector, with **MISC Bhd. as our top pick (BUY, TP: RM8.13).** We favor MISC because of its diversified portfolio in energy-related maritime solutions, including a strong presence in LNG and petroleum shipping, offshore solutions, floating production storage and offloading (FPSOs), and marine and heavy engineering. Its commitment to sustainability and a forward-looking approach, demonstrated through investments in decarbonization technologies, strategic partnerships, and a robust balance sheet, positions the company well to navigate the energy transition. MISC's established reputation for operational excellence, and its pursuit of integrated technical and economic regulations align with the industry's significant shift toward cleaner energy. Furthermore, the company's stable balance sheet and cash flow, along with a consistent dividend payout, justify an overweight recommendation given the positive outlook and stability of the maritime industry in the long term.

Analyst(s)
MBSB Research
research@midf.com.my

MBSB Research (formerly known as MIDF Research) is part of MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad) 197501002077 (24878-X).

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MBSB INVESTMENT BANK (formerly known as MIDF Amanah Investment Bank): GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology