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STATE OF THE INDUSTRY

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China plays Atlas for oil prices

October 24, 2025 | 1 p.m. ET

Overview

The dynamics in the freight market continue to evolve as overall demand has declined, but the capacity side of the market has remained fairly stable. Niche markets are facing a more volatile period, which is to be expected during periods of transition.

Oil markets are still contending against a global supply glut, a fact that (in part) compelled OPEC to slow its output hikes in October. With U.S.-China trade tensions rising, weak demand is expected for the foreseeable future. Still, China's aggressive stockpiling of oil reserves has kept a floor under prices for most of 2025.

The ongoing shutdown of the U.S. federal government has yet to deal a serious blow against the economy, but this judgment is clouded by the delay of several key indicators, including official reports on inflation and the housing market. At the moment, there is a possible canary warning of a new subprime debt crisis (the last of which initiated the 2007-08 global recession); there is not yet enough data to tell whether this alarm is false.

Crude inventories in Cushing, Oklahoma, are low, and efforts to refill the Strategic Petroleum Reserve are slow but in motion. U.S. petroleum consumption rebounded after a slow start to the year; this growth will need to persist in the coming months if 2025 hopes to match 2019's pre-pandemic high. Rail carloads of petroleum products have ebbed somewhat yet are up over 2022-24 levels, though the plastics industry has warned of a slowdown.

Fleet counts (six-month change)

Total for-hire fleets	300,027 (+8.8%)
Total private fleets	158,865 (+1.2%)
For-hire oil field specialization	20,190 (+1.4%)
Private fleet oil field specialization	8,256 (-1%)

Tractor counts (six-month change)

Total for-hire tractors	1,810,000 (+2.3%)
Total private tractors	766,799 (+0.6%)
For-hire oil field specialization	326,544 (-1%)
Private fleet oil field specialization	53,747 (+1%)

Active daily rig count (y/y change)

Permian Basin	235 (-14.9%)
Gulf Coast Basin	64 (-1.5%)
Anadarko Basin	47 (0%)
Total	**569 (-7.3%)**

Crude oil prices per barrel (y/y change)

WTI crude	$61.79 (-9.9%)
Brent crude	$65.99 (-5.5%)
Brent-WTI Spread	**$4.20 (+9.1%)**

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Flatbed safety is exacting but essential

Given the open nature of flatbed trailers, it is arguably more important for flatbed drivers to follow best safety practices than for drivers in any other mode. This is compounded by the fact that flatbed drivers are uniquely responsible for ensuring that their loads are properly secured and, if necessary, covered by tarps. Otherwise, cargo can shift or even fall in transit, harming not only drivers and their equipment but also fellow motorists.

Thus, drivers should first choose high-quality straps, chains and binders that are designed to withstand the weight and type of cargo being transported. When loading, drivers must be careful to confirm that cargo is distributed evenly across the deck to maintain stability and to prevent excessive stress on specific areas of the flatbed. If applicable, drivers should employ edge or corner protectors to protect straps from sharp edges as well as sensitive cargo from damage caused by undistributed downward force.

Flatbeds also serve a vital role for the domestic oil and gas industry, in part because safety can be compromised by the (often) time-sensitive nature of such deliveries. As such, it is critical that the pre-trip inspection be fully carried out, not only with regard to the vehicle and trailer but also to the rigging equipment used, checking for frays or other signs of excessive wear.

Finally, special attention should be paid to the surroundings when the flatbed is not in use, particularly during loading and unloading. Trucks should be parked on a surface that is as flat as possible, taking care that the truck is not only level from front to back but also untroubled by side grades. To be sure, side grades need special attention when the truck is in motion, such that a heavy object does not suddenly shift forward into the cab or backward into any traffic. When dealing with hazardous materials, drivers should be aware of potential obstacles during loading and unloading that could impede an evacuation route.

Truck capacity outlook

The trucking capacity outlook is showing signs that capacity is exiting the market, which is needed to firm up pricing, but at a relatively slow rate. The back half of the year is traditionally a period when capacity tightens across modes. But with all the added capacity throughout the year, the usual tightening was muted throughout the fourth quarter of 2023.

The interesting growth areas haven’t necessarily been in carriers or tractors but in the number of trailers added over the past few years. When the market reacted to the COVID-19 pandemic, semiconductor shortages prevented new truck order backlogs from being worked through. This led to fleets investing elsewhere, namely in trailer counts, which was one of the first areas addressed when the increased rates were sustained throughout the back half of 2020 and early ’21.

With rates falling rapidly, the growth in capacity will likely return to levels closer to 2019 until some of the capacity added over the past year is removed from the market.

Total Fleets, Tractors and Trailers				Percent Change since February 2022		
Time Period	**Carriers**	**Tractors**	**Trailers**	**% Carriers**	**% Tractors**	**% Trailers**
Jul-22	498,170	2,780,000	4,298,588	5.75%	1.83%	14.34%
Feb-22	471,102	2,730,000	3,759,410			
Total For-Hire Fleets, Tractors and Trailers				**Percent Change since February 2022**		
Time Period	**Carriers**	**Tractors**	**Trailers**	**% Carriers**	**% Tractors**	**% Trailers**
Jul-22	300,027	1,810,000	3,022,330	8.76%	2.26%	1.00%
Feb-22	275,856	1,770,000	2,992,449			
Total Private Fleets, Tractors and Trailers				**Percent Change since February 2022**		
Time Period	**Carriers**	**Tractors**	**Trailers**	**% Carriers**	**% Tractors**	**% Trailers**
Jul-22	158,865	766,799	1,147,612	1.20%	0.63%	49.63%
Feb-22	156,979	761,967	766,961			

Source: Federal Motor Carrier Safety Administration monthly census data.

Since February 2022, the total number of fleets, which is filtered to those that report having at least one tractor and 20,000 or more annual miles per tractor on their MCS150 forms, has increased by 5.75%. Carriers have to report the data only once every two years, so the growth over the past two years is evident from the rise in July's numbers compared to February's. The average fleet size (number of tractors divided by fleet count) declined from 5.8 to 5.5, which indicates that growth is stemming from smaller carriers entering the market.

Growth in carrier and tractor counts is emerging from for-hire carriers, which is expected as the number of owner-operators has increased dramatically over the past two years. Overall, the number of carriers has jumped by 8.8% since February, but the number of tractors has increased by only 2.3%. This signals that owner-operators are the largest group to experience growth between February and July 2022.

While the for-hire side of the trucking industry is experiencing gains in carriers and tractors, private fleets are where most of the growth in trailer counts is originating. Between February and July 2022, private fleet trailer counts increased by 49%. Again, it is important to note that carriers have to report this number only biennially, so it really shows the growth over the past two years.

The for-hire market may see some consolidation — and bankruptcies — over the next six to 12 months, but it may not actually show up in the data, with carriers having to report only once every two years and new carriers always entering the market. As the freight market softens, the difference is that drivers will return to the umbrella of large enterprise carriers and thus may actually be double counted at some point in the future.

Total Fleets, Trucks and Trailers with oilfield or liquid/gas specialization				6 month % Change		
Time Period	Carriers	Tractors	Trailers	% Carriers	% Tractors	% Trailers
Feb-22	28,446	380,291	1,074,897	0.7%	-0.5%	0.9%
6 months ago	28,260	382,131	1,065,222			
Total For-Hire Fleets, Trucks and Trailers with oilfield or liquid/gas specialization				**6 month % Change**		
Time Period	**Carriers**	**Tractors**	**Trailers**	**% Carriers**	**% Tractors**	**% Trailers**
Feb-22	20,190	326,544	923,705	1.4%	-0.7%	1.2%
6 months ago	19,906	328,902	912,408			
Total Private Fleets, Trucks and Trailers with oilfield or liquid/gas specialization				**6 month % Change**		
Time Period	**Carriers**	**Tractors**	**Trailers**	**% Carriers**	**% Tractors**	**% Trailers**
Feb-22	8,256	53,747	151,192	-1.2%	1.0%	-1.1%
6 months ago	8,354	53,229	152,814			

Source: FMCSA monthly census data.

The capacity landscape for carriers with oil and gas exposure was relatively unchanged from six months ago as their numbers have increased across the board. The largest rise is in the for-hire market, where the number of carriers has risen by 1.4%.

Even with additional carriers in the market, the number of available tractors has declined by nearly 1%, indicating a couple of things: Smaller carriers are entering the market, and larger carriers with exposure to oil and gas are thinning out their fleets.

While the number of tractors has declined in the past six months, for-hire carriers have added trailer capacity to their fleets, increasing the number of available trailers by 1.2% in the six-month span.

Private fleets haven't experienced the same fate, as there were 98 fewer private carriers operating in the oil and gas space over the past six months. Those continuing to operate have added to their fleets, however, as the number of available tractors has increased by 1%.

Total Fleets, Tractors and Trailers with oilfield or liquid/gas specialization in California

Time Period	Carriers	Tractors	Trailers
Jul-22	993	15,858	11,629

Total For-Hire Fleets, Tractors and Trailers with oilfield or liquid/gas specialization in California

Time Period	Carriers	Tractors	Trailers
Jul-22	549	3,651	5,262

Total Private Fleets, Tractors and Trailers with oilfield or liquid/gas specialization in California

Time Period	Carriers	Tractors	Trailers
Jul-22	395	11,799	5,967

Source: FMCSA monthly census data.

Nearly 1,000 carriers based in California were operating in oil field services or liquid/gas specialization as of last July. The vast majority, in both the overall trucking industry and the oil and gas industry, were for-hire carriers. More than 55% of the fleets in California that operate in the space are for-hire carriers, whereas private fleets make up just under 40% of carriers.

Private fleets do make up the vast majority of tractors in California. Of the 15,858 total tractors that operate in the oil and gas industry, 11,799 are from private fleets, which is roughly 75%. For-hire fleets have an average of 6.65 tractors, compared to private fleets with nearly 300 tractors in operation.

The difference in trailers is less dramatic as for-hire fleets have 45% of the trailers in California. But it is important to note that this data only includes owned trailers and not those that carriers have leased.

Ultimately, the capacity outlook appears quite different than it did at the beginning of 2022. The extreme growth over the past two years has passed its peak and is slowly starting to correct itself. However, having to report counts to the FMCSA only once every two years may mean the data does not show the capacity exiting the market as quickly as it actually does.

National economic outlook

The U.S. economy continues to contend against a mix of domestic policy shifts and external pressures in the lead-up to the fourth quarter of 2025. Real GDP increased at an annual rate of 3.8% in Q2, reflecting a pickup from the first quarter's negative growth albeit one primarily driven by declining imports (which weigh on GDP). Economists surveyed by the National Association for Business Economics expect U.S. GDP growth to accelerate to 2.6% in 2025 from last year's 2.4%, though job growth and inflation concerns persist. Similarly, the IMF's World Economic Outlook projects U.S. growth at 2.6% for this year, with inflation expected to pick up in the second half due to tariff impacts.

There is hardly a dull moment concerning U.S. trade policy, and recent weeks have proved to be no exception. On Sept. 25, President Donald Trump announced new tariffs — effective Oct. 1 — which included a 100% tariff on branded pharmaceuticals from certain countries as well as Section 232 investigations into imports like robotics and medical equipment. Trump's trade war continues with upcoming (at the time of writing) tariff deadlines, such as a 25% tariff on all imported medium- and heavy-duty trucks effective later in October, new tariffs on timber, lumber and furniture — including 10% on softwood timber and 25% on certain upholstered wooden furniture — and an additional tariff hike on China's U.S.-bound exports.

In fact, the U.S.-China trade war — once thought to be dormant until Nov. 10, when the 90-day tariff ceasefire extension was to expire — has recently reignited. On Oct. 9, China announced enhanced restrictions on rare-earth exports, citing national security concerns. This chokehold, along with the U.S.' vice grip on technology necessary for advanced AI, has been a major point of contention in the two countries' protracted bargaining. Trump responded to the restriction by calling it "extremely hostile" and retaliating with a threat of a 100% tariff hike against China by Nov. 1 "or sooner."

The impact of these trade policies is already evident: China's exports to the U.S. fell a yearly 27% in September even as global shipments rose. Global trade expanded by roughly $500 billion in the first half of 2025 despite volatility and policy shifts. The Tax Foundation, which is known to have a conservative bias that advocates for lower U.S. corporate tax rates, estimates that the current administration's tariffs amount to an average tax increase of nearly $1,300 per U.S. household in 2025. If accurate, it is likely that this rise will be offset by the estimated $100 billion stimulus during 2026's tax refund season effected by the One Big Beautiful Bill Act.

Speaking of Washington, Treasury Secretary Scott Bessent stated that the ongoing federal government shutdown is beginning to impact the U.S. economy and citizens' lives after two weeks. Analysts estimate the shutdown could shave 10 to 20 basis points (bps) off economic growth for each week it persists, though much of the lost activity might soon be recouped once the impasse is resolved. Over 600,000 federal workers have been furloughed with states' repayment in doubt, potentially costing the national economy $15 billion per week.

Sadly for this report, the shutdown has also delayed key economic data releases, including the September labor market data.

Alternatives for official payroll data are limited, but indicated continued sluggishness in the labor market. ADP's National Employment Report — which has had a dubious correlation to official data in recent years — showed that the private sector shed 32,000 jobs in September, far below the consensus forecast of a 50,000 gain as well as August's revised loss of 3,000. The Federal Reserve Bank of Chicago estimates that the national unemployment rate most likely remained steady at 4.3%. Challenger, Gray and Christmas reported that planned layoffs fell 37% in September, but year-to-date job cuts neared 950,000 — the highest since 2020. In the trade, transportation and utilities sector (which includes transportation and warehousing), ADP data indicated a loss of 7,000 jobs.

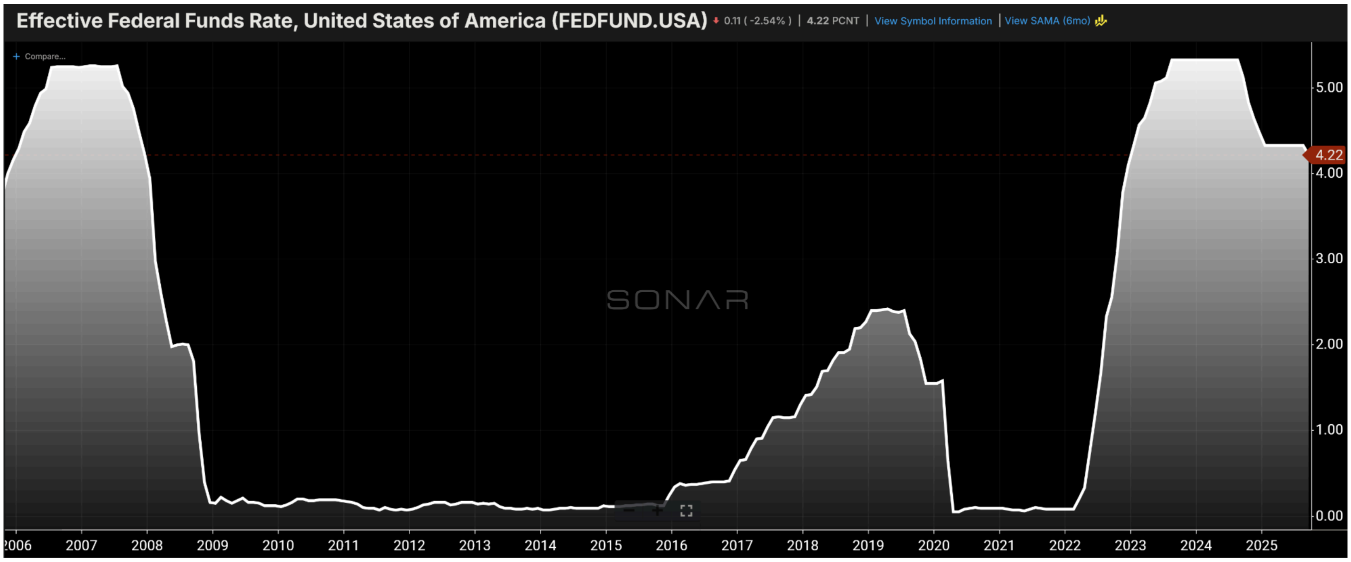


Chart: SONAR. Effective federal funds rate.

On the monetary policy front, the Fed resumed its interest-rate cutting cycle at its meeting in mid-September, bringing down rates by 25 bps. There are further indications that the Fed is making a dovish pivot: Speaking in mid-October, Fed Chair Jerome Powell remarked that "the downside risks to unemployment have risen" — the strongest hint so far that the Fed will feel justified in another 25-bps cut at its late October meeting.

Still, though the Fed is feeling an increased urgency to intervene before the labor market falls into severe contraction, the mood has not totally soured. Philadelphia Fed President Anna Paulson stated in a mid-October speech that she "anticipate[s] that 2026 will see growth near potential, and inflation rising and then subsiding as tariffs — together with current and past monetary policy restrictiveness — work their way through." Although Paulson is not presently a voting member of the Federal Open Market Committee, she will be one in 2026, making her opinion on monetary policy an important bellwether.

As seen in the rapid shifts of the U.S.-China trade war, the FOMC will find that geopolitical risk is in no short supply going forward. The IMF warns that U.S. inflation could rise in the second half of 2025 due to tariffs no longer being absorbed by importers. JPMorgan Chase CEO Jamie Dimon highlighted a heightened degree of uncertainty from tariffs and geopolitical tensions threatening the U.S. economy, despite its apparent health.

One possible canary for a new subprime debt crisis — the last of which, relating to subprime mortgages, crippled the global economy in 2007 — is the mid-September liquidation of auto lender Tricolor Holdings. Tricolor specialized in high-interest car loans to buyers with no credit history or

Social Security number, including undocumented migrants in the U.S. Southwest. Its collapse could be a harbinger of many things, not least of which is higher enforcement of immigration policy. But the most concerning sign would be young peoples' inability to make payments on both student and auto loans, should Tricolor prove more than a mere outlier.

Manufacturing

Sentiment in the U.S. industrial sector is divided, at least according to the top two Fed surveys from October. Although New York manufacturers saw a rebound in business conditions, the same could not be said for their counterparts in Philadelphia. This bifurcation also held true in two major sentiment indexes, as one barely remained in expansionary territory and the other lingered just below.

After a moderate amount of doom and gloom among New York manufacturers in September, the Empire State Manufacturing Survey — conducted monthly by the Federal Reserve Bank of New York — brightened in October. The headline General Business Conditions Index leapt 19.4 points month over month (m/m) out of the red to 10.7. This surprising growth was driven by impressive gains in the indices for New Orders (up 23.3 m/m to 3.7) and Shipments (up 31.7 points m/m to 14.4). Still, supply-side inflation once again outpaced its demand-side counterpart: The Prices Paid Index gained 6.3 points m/m to reach 52.4, while the Prices Received Index rose 5.6 points m/m to only 27.2.

Whether this imbalance is worth taking seriously is a matter of debate — manufacturers in these surveys traditionally bemoan their price pressures and downplay the costs they pass on, making these indices an imperfect leading indicator for the Producer Price Index. In fact, as discussed further in the following section, most analysts believe that demand-side disinflation from August was more pronounced in September.

Regardless, surveyed firms are hopeful for future improvements: The forward-looking general business conditions index leapt 15.5 points m/m to 30.3, again driven by massive gains in the New Orders (up 18.3 points m/m to 34.9) and Shipments (up 18.1 points m/m to 31.6) indices. Taken as a whole, this performance implies that manufacturers in the region will keep their local freight markets supplied with demand over the coming six months.

Very few signs of optimism were present in Philadelphia, however. October's Manufacturing Business Outlook Survey — conducted monthly by the Federal Reserve Bank of Philadelphia — saw the headline index for general business activity crater 36.0 points m/m to minus-12.8. Bizarrely, despite this horrific performance, neither the index for new orders (up 5.8 points m/m to 18.2) nor for shipments (down 20.1 points m/m to 6.0) flipped into contraction. These two indices are typically the major drivers behind a radical change in the headline index.

Stranger yet, it is difficult to tell which of the survey's indices triggered such a plummeting sentiment. The Prices Received Index (up 8.0 points m/m to 26.8) rose at a faster rate than the Prices Paid Index (up 2.4 points m/m to 49.2), even though most surveyed firms agree that the latter's expansion is more concerning. Inventories also shrank, while employment remained stable and unfilled orders ticked down only slightly.

Even in the face of this unexpected dourness, optimism for the next six months was not yet erased. Quite the contrary: The forward-looking headline index ticked up 4.7 points m/m to 36.2, a strong and healthy reading. Judging by their indices, new orders (up 7.4 points m/m to 49.8) and shipments (up 17.4 points m/m to 48.4) are both expected to skyrocket — a rare spot of good news for a much-beleaguered trucking industry.

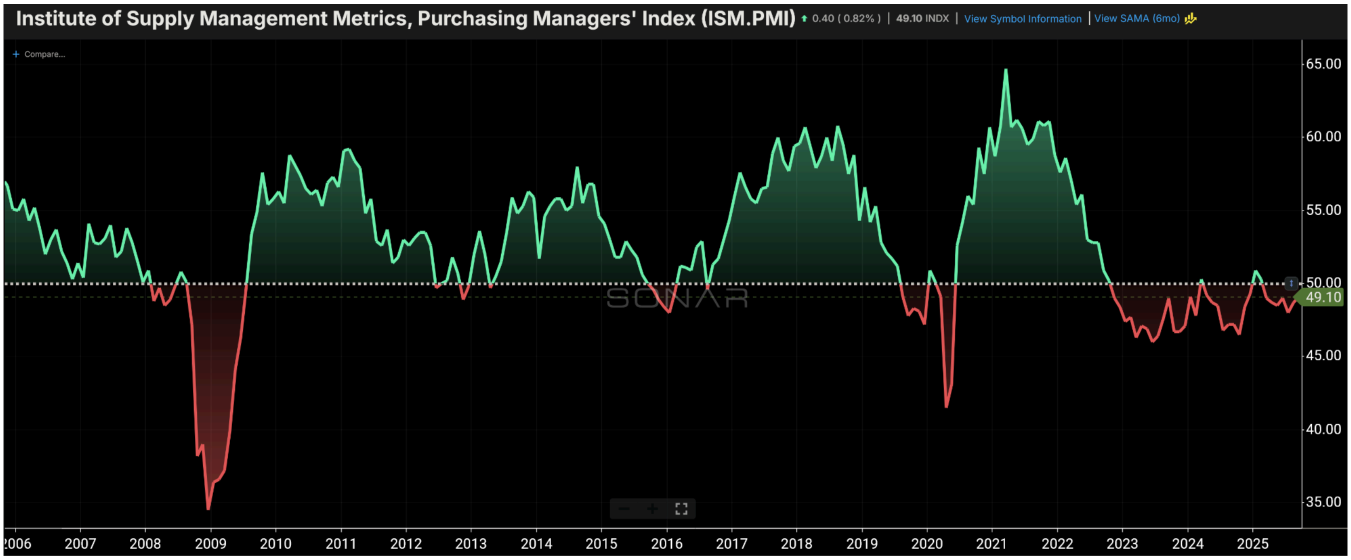


Chart: SONAR. Institute for Supply Management's Manufacturing PMI.

National sentiment indices were similarly confusing. The Institute for Supply Management's Manufacturing PMI registered 49.1% in September, marking a slight improvement of 40 bps from August but remaining in contraction for the seventh consecutive month. The subindices were also mixed: the New Orders Index fell 2.5 points m/m to 48.9%, falling back into the red after one month of growth; the Production Index rose 3.2 points m/m to 51%; and the Supplier Deliveries Index climbed 1.3 points m/m to 52.6% which, contrary to the other subindices, is actually indicative of slower deliveries.

Among the six largest manufacturing industries, only Petroleum and Coal Products expanded as two-thirds of the overall industrial sector's GDP contracted in September. Worse still, 28% of manufacturing GDP is not only contracting but is strongly contracting. Even so, other smaller industries did report growth in the month, namely primary metals, textile mills, fabricated metal products and miscellaneous manufacturing. One thing that all of these expansionary industries have in common is that they mostly produce inputs upstream to the rest of the sector; this news is welcome, since the U.S. economy seeks to decouple itself from China and other overseas suppliers.

Maintaining its optimistic bent relative to the ISM, the S&P Global US Manufacturing PMI fell 1.0 point m/m but remained in growth at 52.0. September thus marked the ninth consecutive month of expansion for the index, albeit at a pace below the historical average. Weaker gains in production and new orders were to blame for the month's slower rate of growth, but these ills were offset by expectations of reshoring manufacturing production.

Chris Williamson, chief business economist at S&P Global Market Intelligence, summarized the report's findings: "Despite a slowing in demand growth, many factories produced more goods, using up raw materials that had been stockpiled ahead of tariff implementation. This poses a downside risk to future production in the absence of a pickup in demand, though also hints at some alleviation of price pressures: there is already evidence of companies offering excess stock to customers at reduced rates."

This latter insight aligns more with recent trends in the Producer Price Index (discussed further below) than the performance of price indices in New York's manufacturing survey. "A growing uncertainty," Williamson continued, "relates to supply chains, with September seeing an increase in tariff-related vendor delays, which threaten to curb production and push up prices if these difficulties persist or intensify." Unfortunately, this observation correlates with findings from the ISM's PMI, which also saw supplier deliveries slow in the month.

Housing and construction

Since falling from this cycle's peak at 7.79% in October 2023, the average rate on a 30-year fixed mortgage has remained solidly rangebound between 6% and 7%. In 2022-23, rising mortgage rates did not — as they normally do — deter prospective buyers from purchasing homes, given a rare combination of low inventory levels and a nationwide shift to remote work that made rural housing more attractive.

But this dynamic has not held over the past year, as intractably high mortgage rates are weighing on housing market activity. Per Freddie Mac, the current average rate on a 30-year fixed mortgage stands at 6.27%, 1 bp lower m/m and 17 bps lower y/y.

Existing-home sales, which comprise the vast majority of home sales in the U.S., stalled out in August. According to the National Association of Realtors, sales of existing homes edged 0.2% down from July at an annualized rate of 4 million. August's performance barely made a dent compared to July's upwardly revised 2% m/m rise, however. Yearly comparisons varied by region, with sales rising in the Midwest and West but falling in the Northeast and South. The median sales price of an existing home thankfully retreated 0.8% m/m yet remained 2% above year-ago levels at $422,600.

As with most official datasets typically covered in this report, details on September's housing starts and building permits have been delayed by the government shutdown. At the time of writing, the consensus forecast is for housing starts to remain unchanged from August's 1.31 million but for building permits to see a healthy 3% m/m bump.

This forecast is made more credible with the October release of the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index, which gauges national sentiment around single-family construction. The headline index rose 5 points from September to 37 — its highest reading since April and the largest m/m jump since the beginning of 2024. Also, for the first time since last January, future sales expectations broke above the no-change mark of 50 into expansion, with a 9-point m/m rise bringing the index to 54. The other components, current sales conditions and traffic of prospective buyers, also saw growth but remained stuck in deep contraction.

"While recent declines in mortgage rates are an encouraging sign for affordability conditions," wrote NAHB Chairman Buddy Hughes, "the market remains challenging. The housing market has some areas with firm demand, including smaller builders shifting to remodeling and ongoing solid conditions for the luxury market. However, most home buyers are still on the sidelines, waiting for mortgage rates to move lower."

The future nevertheless seems bright, with NAHB Chief Economist Robert Dietz adding, “The HMI gain in October is a positive signal for 2026 as our forecast is for single-family housing starts to gain ground next year.” Dietz continued, “Combined with anticipated further easing by the Fed, builders expect a slightly improving sales environment, albeit one in which persistent supply-side cost factors remain a challenge.”

Oil market

OPEC took its collective foot off the accelerator at its October meeting, surprising markets by opting for a relatively modest increase of 137,000 barrels per day (bpd) to its November quota. Prior to the meeting, analysts suspected a hike as large as 500,000 bpd, which OPEC denied as “inaccurate and misleading.” While Saudi Arabia (the *de facto* leader of OPEC+) had initially sought to regain lost market share at any cost, it finally seems as though spooking markets with a supply glut is a consideration once again.

Less reported, perhaps, is the fact that OPEC’s actual production increases have fallen short of the announced quotas. Many member states have simply run out of capacity for further hikes to their output, with some paying the tab for their prior, unsanctioned overproduction. The International Energy Agency estimates OPEC+ spare capacity to be 4.05 million bpd currently, with 2.43 million bpd in Saudi Arabia, 850,000 bpd in the United Arab Emirates, and 320,000 bpd in Iraq — all other members are already at peak output.

Yet even this figure is dubious: Saudi Arabia is aiming to produce 10 million bpd in November, so bringing the additional 2.43 million bpd on reserve would put output at around 12.5 million bpd. The kingdom claims that its maximum sustainable capacity is 12 million bpd, but it has only produced that much oil once — more than five years ago and for only one month in the early days of the pandemic. A more realistic, though still generous, estimate for Saudi Arabia’s spare capacity would be closer to 1 million bpd.

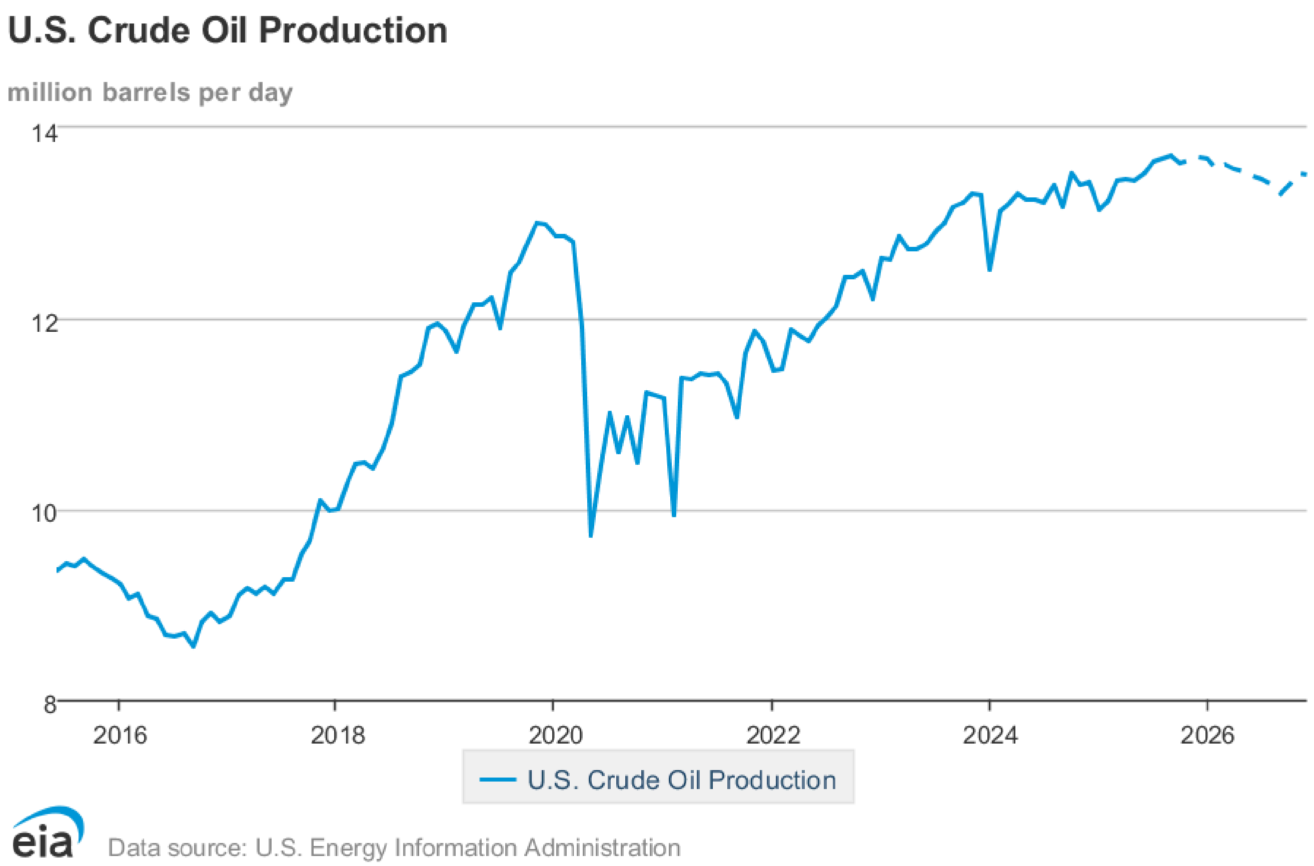
Should it be tested by a supply shock or unforeseen geopolitical event, this fragile facade of abundant oil waiting to be tapped would likely collapse, sending prices soaring as the market panics. Though it will be discussed in further detail below, consumption forecasts are all over the map: On the one hand, fears of a global economic slowdown are leading to a profound bearishness among traders. On the other hand, if AI withstands the hype and companies seek to scale their operations aggressively, it will be highly energy-intensive work.

In other news, President Donald Trump revealed in mid-October that Indian Prime Minister Narendra Modi had pledged to cease purchases of Russian oil. Trump stated that India could not stop buying the oil “immediately,” but said that a “process had started.” The U.S. imposed an additional 25% tariff on Indian imports — a broad category including consumer electronics, pharmaceuticals, textiles and clothing — back in August, which was applied on top of the 25% baseline “reciprocal” tariff.

If India follows through on this promise, it would mark a major victory for the U.S.’ new trade policy under Trump, which wields tariffs as a central tool. But, given how cheap Russian oil is to the emerging market, some analysts doubt India’s ability to go cold turkey. “At best, India might slowly scale down imports under pressure,” said Sumit Ritolia, a lead India analyst with Kpler, “but treating this as a done deal would be premature. It is more likely an aspiration or negotiation point than a firm, immediate commitment."

In September, gross domestic oil production rose 30,000 bpd m/m to 13.71 million bpd, a gain which built on August's growth of 40,000 bpd m/m. Production figures from previous months continue to be heavily revised, as August's numbers were raised 150,000 bpd from its initial reading of 13.53 million bpd.

In a prior print of its Short-Term Energy Outlook, the U.S. Energy Information Administration forecast that domestic crude oil production would plummet 130,000 bpd m/m to 13.4 million bpd in September. This prediction was a bust in every regard: Not only did the EIA miss the direction of September's growth, but the revisions to August's data put the forecast far below the actual numbers. September's output was 310,000 bpd above the EIA's previous forecast.



After factoring in revisions to prior months' data, the EIA now predicts that domestic crude oil production will not match September's new all-time high until 2027 at the earliest. The latest forecast is, however, still far more optimistic than the previous one: Whereas the EIA once saw production suffering a slow, stepwise decline throughout 2026, it is now calling for a sharp correction in the final quarter of that year. The EIA continues to predict that the full years of 2025 and '26 will outpace 2024's production average of 13.21 million bpd, which should solidify the U.S.' status as the top producer globally. In October, the EIA projects that oil production will erase August and September's combined gains with a 80,000-bpd m/m decline to 13.63 million bpd.

The Baker Hughes active rig count is thought to signal future demand for drilling as well as inputs into the oil industry. The Baker Hughes active rig count for the U.S. as a whole totaled 548 rotary rigs as of Oct. 17. This latest count marks a steep decline of 6.3% y/y, continuing a long string of y/y losses.

Breaking that down into basins, Enverus, a leading SaaS company focused on the energy sector, releases daily active rig counts.

Basin	Daily Active Rig Count	1-mo. Change	M/M Percent Change	1-yr. Change	Y/Y Percent Change
Anadarko Basin	47	-3	-6%	0	0%
Appalachia	39	2	5.4%	7	21.9%
DJ Basin	9	-2	-18.2%	-3	-25%
Gulf Coast Basin	64	-4	-5.9%	-1	-1.5%
Permian Basin	235	0	0%	-41	-14.9%
Williston Basin	32	-1	-3%	-7	-17.9%
Other	143	-10	-6.5%	0	0%
Total	**569**	**-18**	**-3.1%**	**-45**	**-7.3%**

Source: Enverus daily active rig count as of Oct. 23.

The Dallas Fed Energy Survey for Q3 2025 revealed a modest decline in oil and gas activity across Texas, northern Louisiana and southern New Mexico. The overall business activity index improved slightly but remained in contraction, rising to minus-6.5 from Q2's minus-8.1. E&P firms saw their output decelerate (falling from minus-8.1 to minus-9) and their capex flip into contraction (from 5.9 to minus-11.2). Oilfield services firms faced even greater challenges, with equipment utilization falling 4.3 points to minus-23.3 and operating margins down 7.1 points at minus-45.2.

Making matters worse, the Permian Basin has struggled against a rising wave of oilfield theft in recent months, which has triggered Texas' creation of its cleverly named State Taskforce on Petroleum Theft (STOPTHEFT). STOPTHEFT aims to review current theft laws and regulations in other domestic and international jurisdictions, to analyze the impact of theft on state tax revenues and its economic consequences, and to guide training of law enforcement officers on how to prevent theft of petroleum products.

Returning to the latest Dallas Fed Energy Survey, 41% of E&P executives said their operations have been impacted by oilfield theft over the past 12 months. Of these, 61% reported theft of crude oil, 58% reported theft of piping valves and wiring, and 39% had their equipment stolen.

Though growing now, the problem of oilfield theft has been on the Permian Basin Petroleum Association's (PBPA) radar since early 2024. "What members of the oil and gas industry have been experiencing more recently in the field has been described as organized crime," said PBPA President Ben Shepperd in March of last year. "Traditional targets of copper, tools or other heavy equipment that might be relatively easy to move are not the only targets. Full tanker truck loads of produced oil have been removed from private locations throughout the Permian Basin."

WTI nearly hit year-to-date low in October, but rising U.S.-Russia tensions sparked a rally to $62/bbl

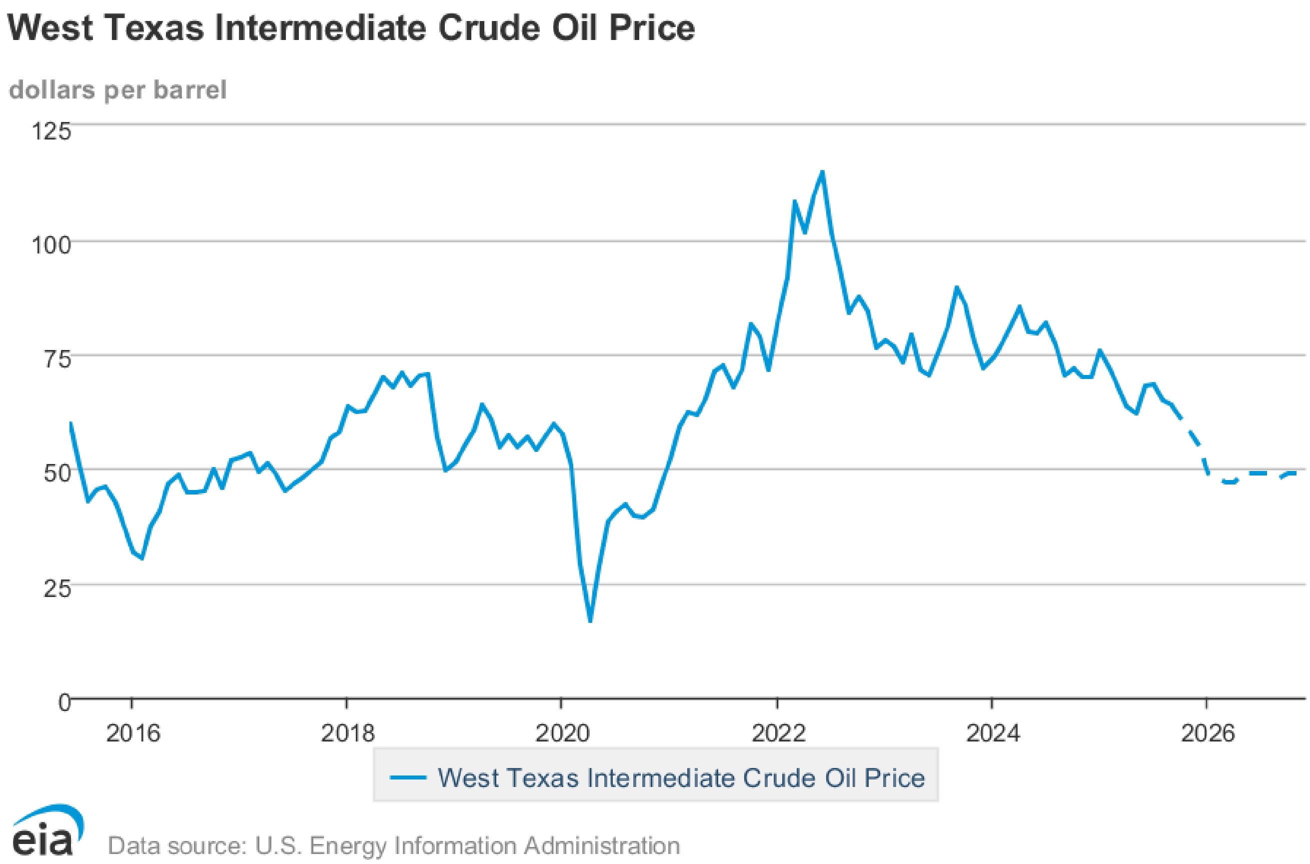
For most of October, it seemed that geopolitical risk — which has defined markets for nearly four years now — was finally abating. On Sept. 29, President Trump announced a ceasefire between Israel and Hamas that went into effect on Oct. 10, which saw the return of the last remaining Israeli hostages and “the immediate commencement of humanitarian aid” in the Gaza Strip. Less than a week later, Trump said that he would meet with Russian President Vladimir Putin in Hungary to negotiate an end to the Russia-Ukraine war, following a lengthy phone conversation between the two leaders.

But this planned summit was canceled on Oct. 21, after U.S. Secretary of State Marco Rubio and Russian Foreign Minister Sergei Lavrov were unable to lay the necessary groundwork for the meeting. “We canceled the meeting with President Putin — it just didn’t feel right to me,” Trump told reporters the following day. After the summit’s collapse, the U.S. unveiled new sanctions on Russian oil exports; Trump said he hoped these measures would be temporary.

Given the failure of peace talks with Russia — as well as multiple alleged violations of the Israel-Hamas ceasefire from both parties — it seems as though geopolitical risk is here to stay. One additional sign of growing risk (as though markets needed another) is China’s aggressive stockpiling of crude in 2025. This behavior has helped keep oil above $60 per barrel, despite fears of a global economic slowdown. Analysis from commodity trading firm Gunvor suggests that China has been adding nearly one million bpd to its reserves since March, which implies a belief that it might soon be frozen out of the global market like Russia, perhaps due to an upcoming military operation in Taiwan. But unlike Russia, China is not a significant producer of oil and so would be almost wholly reliant on supply from Russia and other, less Western members of OPEC+.

Accordingly, prices of West Texas Intermediate crude (WTI) — a domestic benchmark — have nearly erased all of October’s steep losses but have yet to return to September’s average. WTI sits at $62 per barrel at the time of writing, an 8% gain from the month’s low of $57.46 but still 5.7% below late September’s peak of $65.72. Expectations for the upcoming summit between Trump and Chinese President Xi Jinping are low, given the aforementioned acceleration of the U.S.-China trade war over the past several weeks. So long as tensions between the two superpowers are high, concerns about the global economy (and thus global oil demand) will remain a headwind for any rally in oil prices.

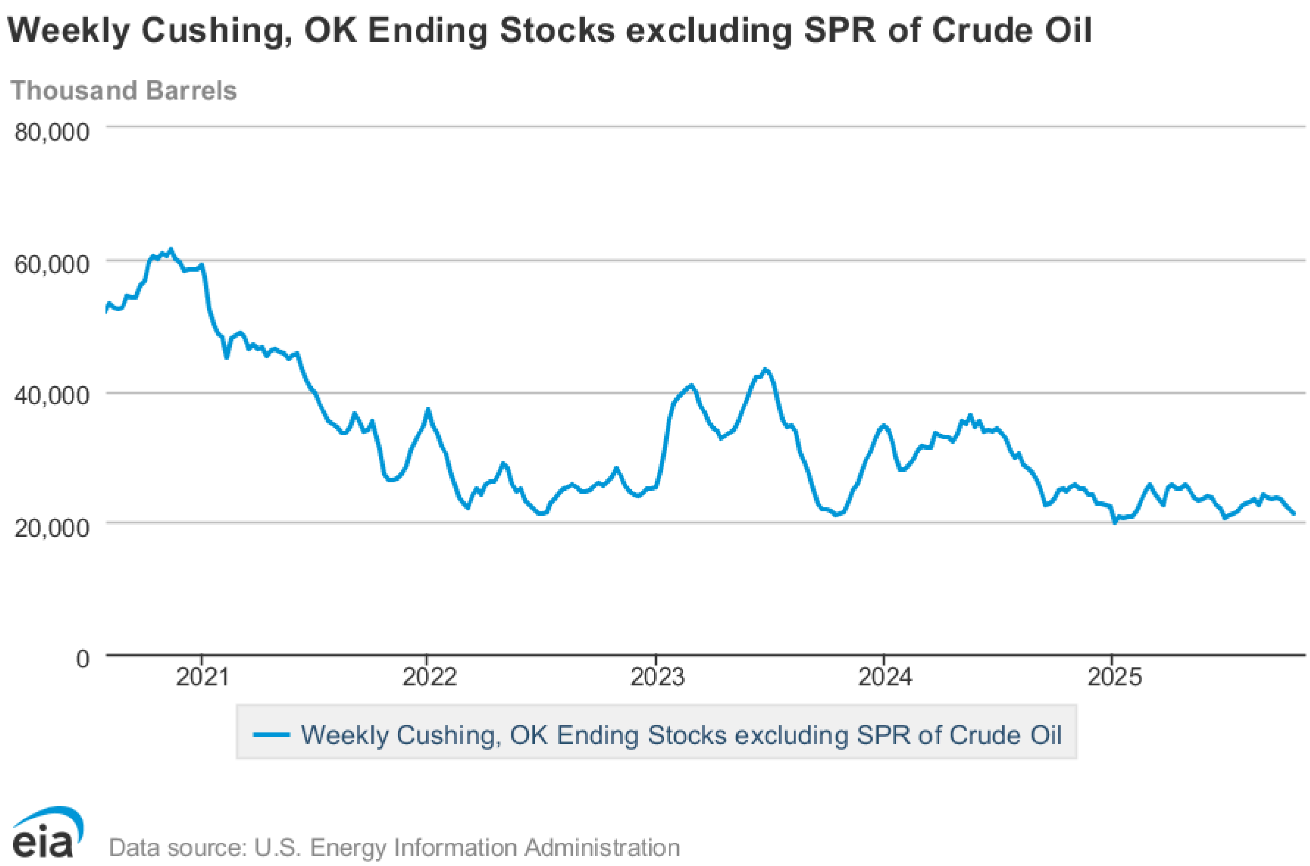
According to EIA projections, WTI will tumble below $50/bbl by early 2026, with analysts firmly in agreement.



The EIA's latest Short-Term Energy Outlook, released in October, more or less reaffirmed the bearish forecast it adopted in August. The EIA expects WTI spot prices to be in freefall until March 2026, when they will bottom out at $47 per barrel. From that point, WTI will see only a slight recovery to $49 per barrel, a level around which it will remain until the end of 2026. The EIA also maintained its bearishness on WTI relative to Brent, as the agency expects the latter to command a premium of $3.66 per barrel over the former during the course of 2025-26.

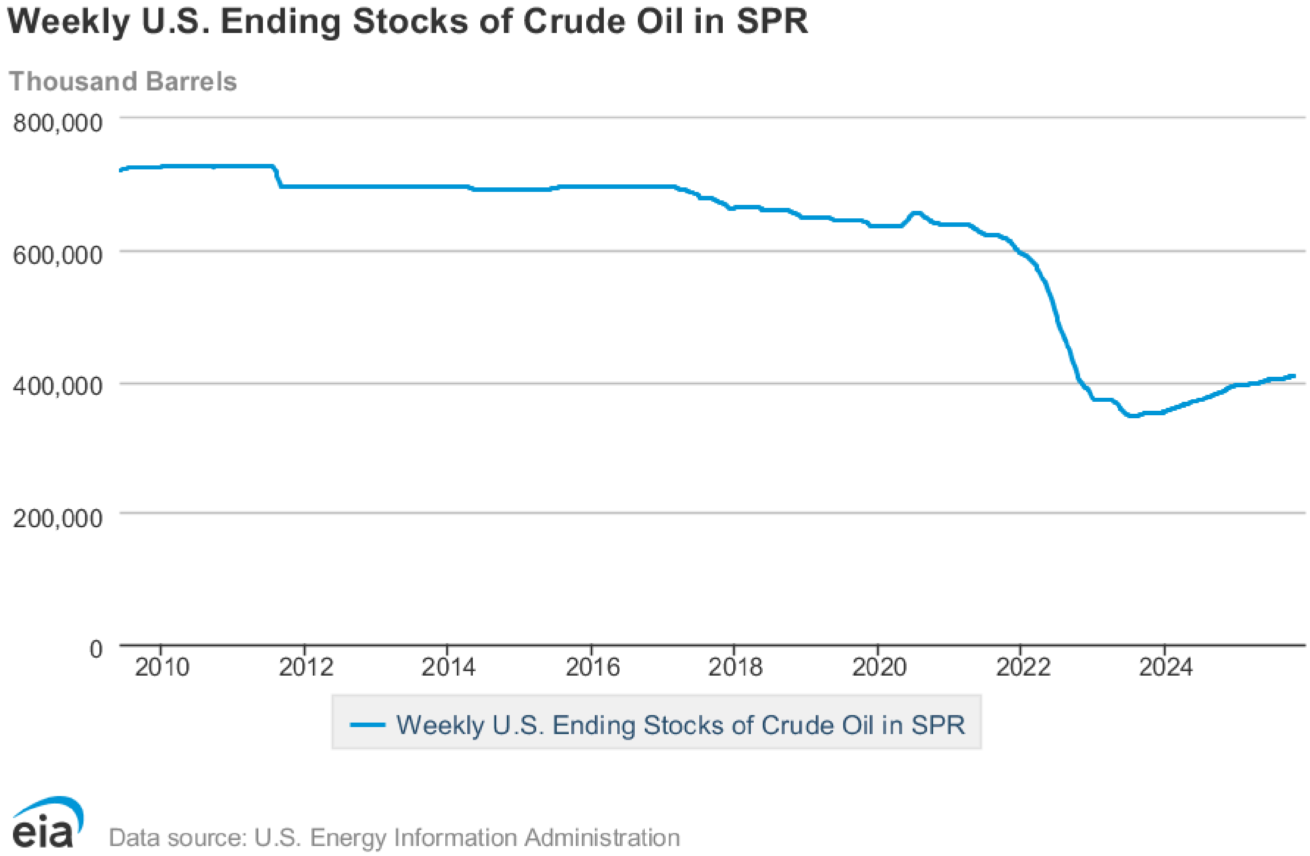
Fearing the OPEC-induced supply glut and escalating U.S.-China trade tensions, institutional investors are forecasting with a similarly bearish attitude. Bank of America analysts cautioned that the current supply glut has created a "persistent surplus that could swell inventories to 2020 highs." This dynamic, the analysts argue, could even bring Brent crude into sub-$50 per barrel territory; assuming the EIA is correct about Brent's premium, this forecast implies WTI would drop to the mid-$40s. In a note from mid-October, Goldman Sachs was slightly more optimistic, forecasting WTI at $60 per barrel in Q4 2025 and $55 per barrel throughout 2026.

What else we're watching



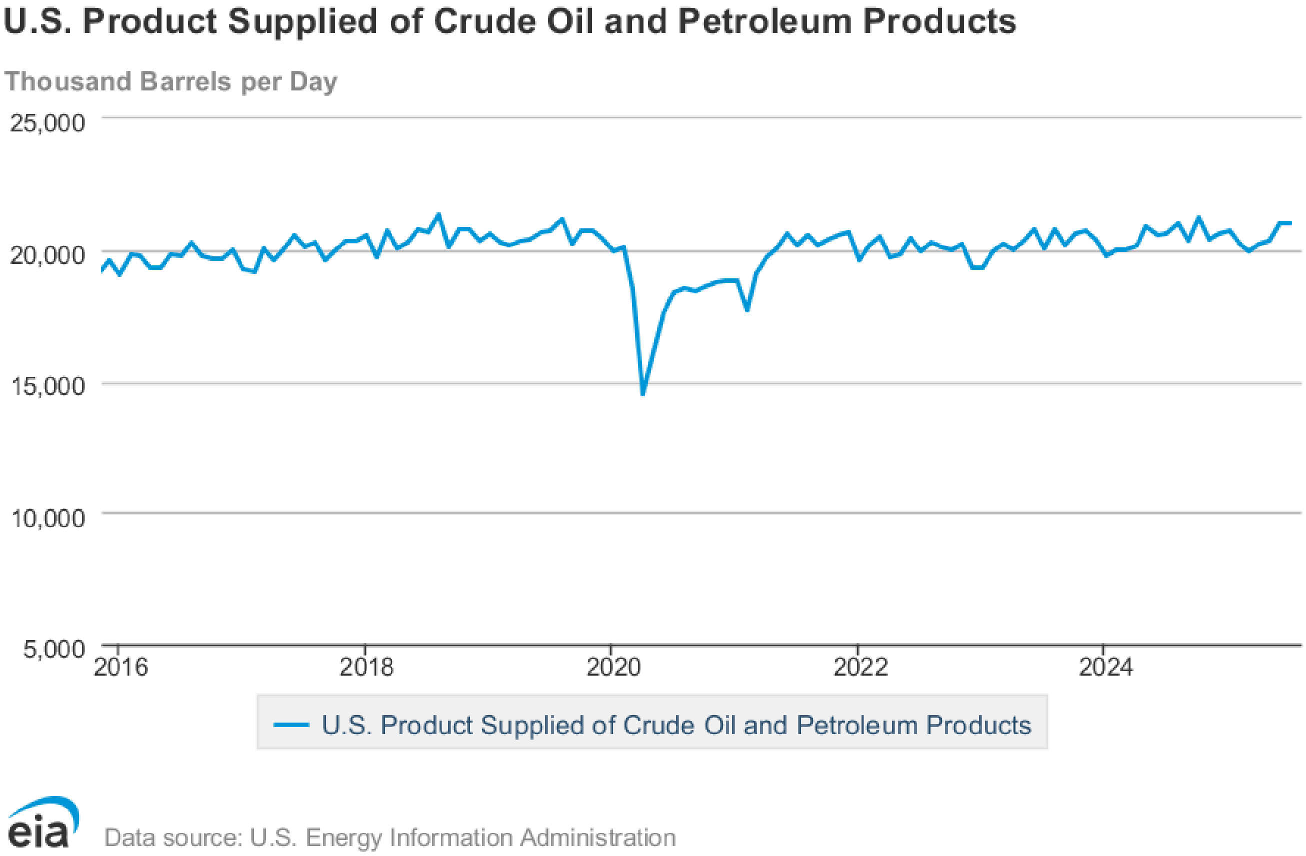
U.S. inventories of crude oil increased rapidly in the first half of October, though commercial stockpiles remained 4% below the five-year average for this time of year. Crude stocks rose 3.5 million barrels during the week ending Oct. 10, growth that followed a 3.7 million gain in the week prior and that was far greater than the consensus forecast for a rise of 300,000 barrels.

After bottoming out at the end of June, crude inventories at Oklahoma's Cushing Hub saw unsteady gains that soured into losses by October, turning inventory growth negative on an annual basis. In the week ended Oct. 10, Cushing stocks fell 770,000 barrels from the week prior to 21.2 million barrels, marking a 14% y/y loss.

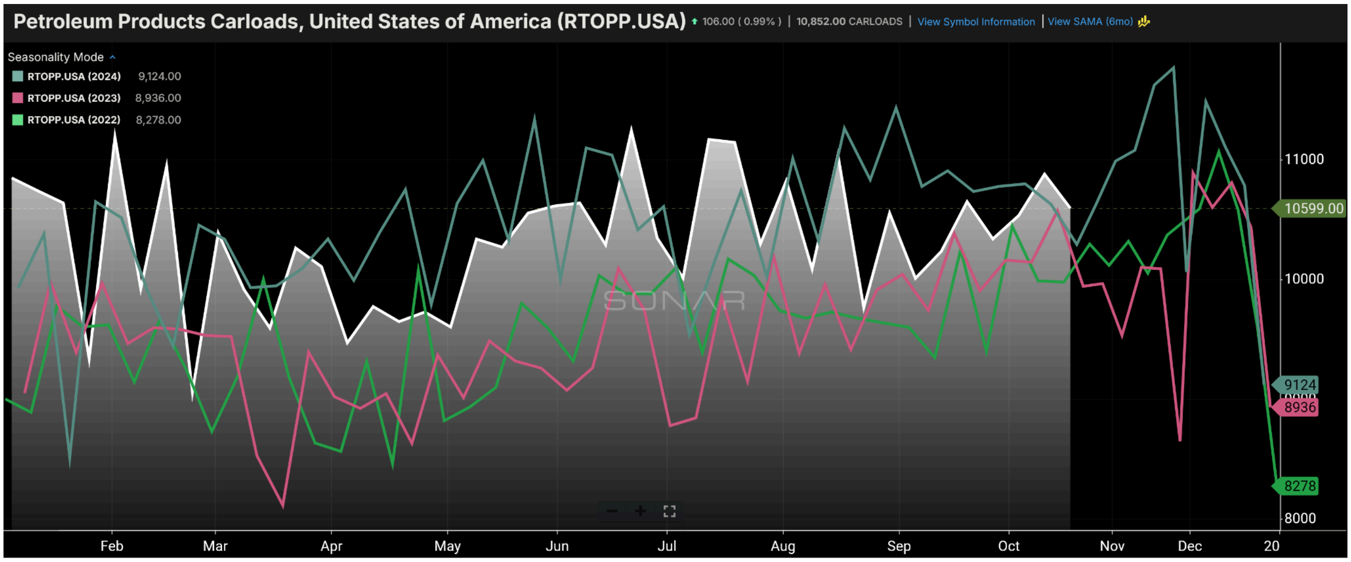


Levels of the U.S. Strategic Petroleum Reserve have been diminished ever since the previous administration drew heavily (and controversially) from it in 2022, in an effort to protect against the sudden loss of Russian supply. This sale of nearly 300 million barrels pushed the SPR to its lowest level in 40 years.

Deliveries of crude oil into the SPR have been delayed by seven months until December 2025 due to site maintenance, with the Trump administration stating it has no imminent plans to refill the reserve but still intends to do so once market conditions are right.



With 408.6 million barrels in stock, the SPR is currently well below its maximum capacity. It is nevertheless at its fullest since October 2022, with inventories up 6.2% y/y. In an emergency, assuming that both domestic production and imports were entirely halted, the SPR would be sufficient to meet U.S. demand for just over 19 days. U.S. consumption of petroleum and all other liquid fuels rose in June to its highest level since last October, though this trend would need to continue for a few months more to match 2019's pre-pandemic high of 20.54 million bpd. At present, U.S. consumption averages 21 million bpd.



Source: SONAR. Rail carloads of petroleum products: 2025 (white), 2024 (green), 2023 (pink) and 2022 (dark green).

Although they have failed to meet their summer highs, rail volumes of petroleum products have proven robust in October so far. For this time of year, rail volumes are higher than they have been in the past three years. The plastics industry has warned about the uncertainty surrounding tariffs and other U.S. trade policies, foreseeing an industrywide slowdown in 2025 and only a partial recovery in 2026. A more optimistic outlook, however, might be warranted following the U.S.' reaching a trade deal with Japan, a key provider of molding equipment to the domestic plastics industry.

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