



(UBS)

Narrowing market surplus should push up oil prices later this year

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Geopolitical developments continue to inject volatility into global financial markets, even as stocks remain at all-time highs. Oil prices slid to their lowest levels in three weeks after US President Donald Trump said Venezuela will relinquish up to 50 million barrels of oil to the US, while progress on security guarantees for Ukraine paves the way for an end to the war as well as curbs on Russian oil exports.

But while investors should brace for further volatility, we maintain the view that oil prices should recover this year, supporting our preference for broad commodity exposure. We also expect US dollar weakness to persist in the first half of 2026, and recommend investors align their currency allocations with their liabilities and spending plans.

A narrowing market surplus should push up oil prices later this year

Venezuela possesses significant oil reserves with relatively low geological risks. But its current level of production, at around 1 million barrels per day, accounts for less than 1% of global oil production. Any expansion in output would require substantial investment given the neglected infrastructure resulting from years of mismanagement and underinvestment. While media reports suggest oil chief executives are expected to visit the White House this week to discuss investments in Venezuela, it remains unclear which companies would commit capital at current oil prices, particularly since a stable regulatory framework and political continuity are still elusive.

We also believe peace between Russia and Ukraine is unlikely to add much crude oil to global supply in the near to medium term.

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We therefore expect improving demand and stalling supply growth to support Brent crude prices. Our year-end target is USD 67/bbl.

Original report – [Commodities offer opportunity despite geopolitical volatility , 7 January 2026.](#)

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