GoldSquawk

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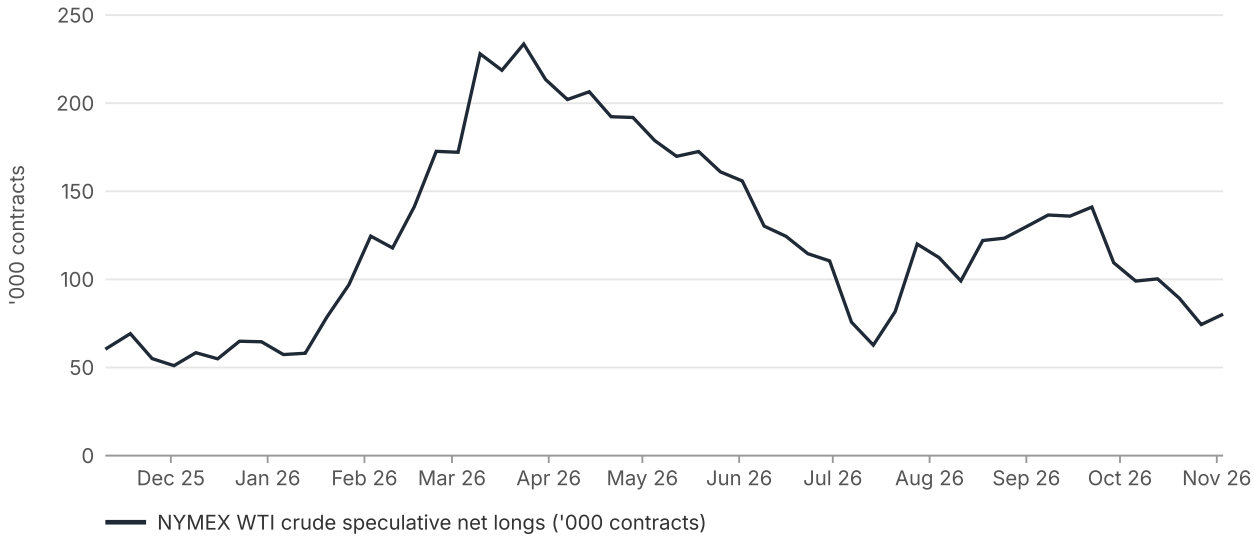
Volatility and backwardation still outstrip outright crude positioning

GoldSquawk Research

Key takeaways

- WTI managed-money net length was only +21,728 contracts on 3 November, after eight consecutive weekly declines, with the reduction driven mainly by long liquidation rather than aggressive new shorting[1,2].
- That light outright positioning sits against repeated volatility repricing this year: OVX reached 59% on 14 September, rose by more than 9 points week-on-week on 26 October, and was still 50.3 on 13 November, implying an expected daily move of about ±$2.80/bbl[3,4,5].
- Prompt structure still signals nearby tightness rather than full normalisation: WTI M1-M2 backwardation was +$1.31 on 13 November, while Brent front-month backwardation was +$2.81 on 14 November[6,7].
- Fundamentals help explain why vol and front spreads stayed rich even as outright length stayed light: the IEA said on-land stocks remain at their lowest since at least 2016, while the EIA said U.S. commercial crude stocks ended October at 410 mb, the lowest end-October level since 2014[8,9].
- The main challenge to the under-positioning view is that supply and observed inventories improved in October: global oil supply rose by 2.3 mb/d and observed inventories rebounded by 52 mb, even as demand is forecast to fall by 2.7 mb/d in 2026[8].

Figure 1: WTI speculative exposure remains near the low end of its range



Source: CFTC Commitments of Traders (futures only), as of 03 November 2026.

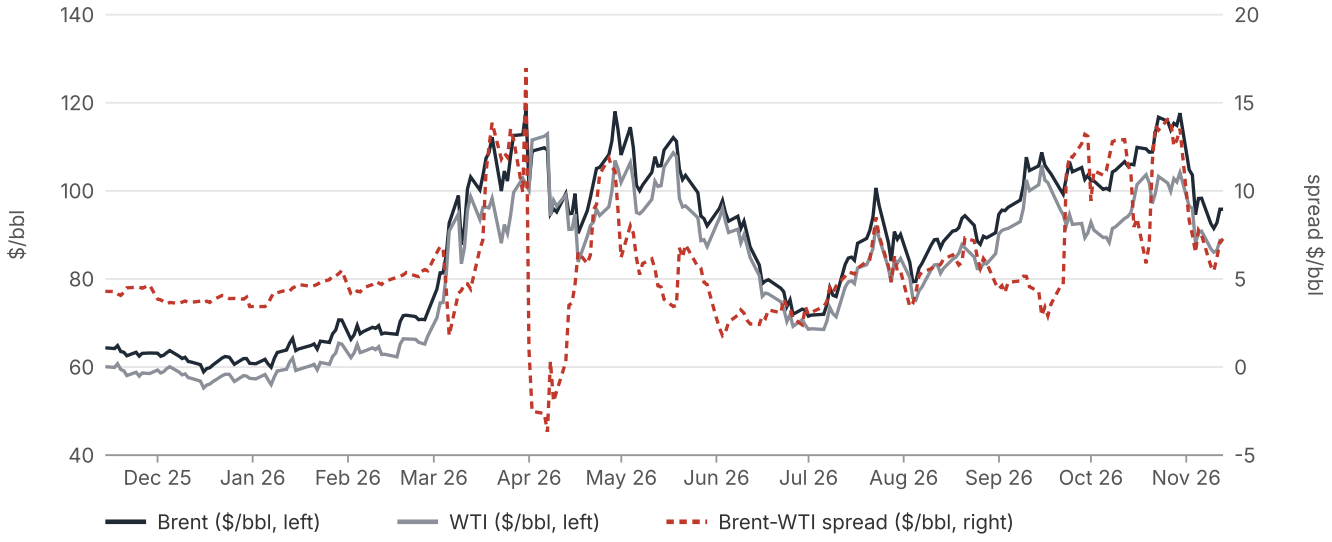
WTI funds still look light in outright terms

- In the CFTC disaggregated report for WTI physical crude as of 3 November, managed money held 147,382 longs and 125,654 shorts, leaving a net length of just +21,728 contracts[1]. That weekly move reflected a 10,051-contract fall in longs against only a 651-contract fall in shorts, pointing to risk reduction through long liquidation rather than a decisive bearish build[1].
- Relative measures also point to subdued fund exposure. GoldSquawk shows WTI hedge-fund net positioning at +21.7k, with eight falls in a row, and says WTI sits near a 3-year low in the positioning heat map[2,10]. Secondary analytics also place WTI net length toward the low end of its recent range, including a 13-week z-score of -1.61σ and a low COT index reading[11,7,12].
- Outright directional positioning looks small relative to market size. Managed-money net length of +21,728 contracts was only about 1.1% of total WTI open interest of 1,908,732 contracts on 3 November[1]. By contrast, managed-money spreading stood at 305,122 contracts, suggesting traders were far more active in structure and relative-value exposure than in outright delta[1].
- GoldSquawk's broader speculative series also shows NYMEX WTI non-commercial net length at 80.3k contracts, only 16% of its 52-week range after a prolonged drawdown from 141.1k in late August to 74.3k and then 80.3k by early November[13]. That is consistent with a market that is not crowded on the long side[13].

Volatility and the front curve still look richer than positioning

- Cboe defines OVX as the expected 30-day volatility of crude oil implied by options on USO[14]. This year's volatility regime has been repeatedly elevated: OVX rose 14 points week-on-week to 59% on 14 September, then increased by more than 9 points week-on-week by 26 October, after having reached 120% in March, the highest outside the 2020 negative-oil episode[3,4,15].
- By 13 November, GoldSquawk shows OVX at 50.3, with 39% of the past year lower and an implied daily move of roughly ±$2.80/bbl[5]. Even allowing for some post-election easing in macro volatility noted by Cboe on 9 November, this still points to a market where option pricing remains alert to event risk[16,5].
- The term structure tells a similar story. WTI M1-M2 backwardation was +$1.31 on 13 November, with the same tracker showing +$1.45 in Dec26/Jan27 on 3 November[6]. Brent's front structure was even steeper at +$2.81 on 14 November, with a 12-month structure of +$9.69[7].
- Taken together, elevated implied volatility and persistent backwardation suggest traders are still paying for protection and nearby scarcity while keeping outright futures exposure restrained. That is the strongest evidence that volatility and prompt tightness have moved more than positioning[6,3,5,2].

Figure 2: A still-wide Brent-WTI spread reinforces export and logistics signals



Source: ICE Brent and NYMEX WTI front-month futures via Yahoo Finance; GoldSquawk calculations, as of 13 November 2026.

Physical tightness remains, but caution is not irrational

- The physical backdrop still contains clear tightness signals. The IEA said on 13 November that on-land stocks remain at their lowest since at least 2016, even though observed inventories rebounded by 52 mb in October as oil-on-water rose by 86 mb[8]. The EIA said U.S. commercial crude inventories ended October at 410 mb, the lowest end-October level since 2014, while GoldSquawk shows U.S. crude stocks at 414.4 mb as of 6 November, 4% below the five-year average[9,17].
- EIA also tied higher prices to falling global inventories and attacks on oil tankers in the Middle East and Black Sea, while noting tanker-market tightness, higher transport costs and a wide Brent-WTI spread[18,9]. GoldSquawk shows the Brent-WTI spread at +$7.28/bbl on 13 November, above its 1-year average of +$5.80 and on a three-day rising streak[19].
- But the caution in outright positioning also has a rational macro basis. The IEA said global supply rose by 2.3 mb/d in October to 105.4 mb/d after a 3 mb/d increase in September, and it forecasts world oil demand to fall by 2.7 mb/d in 2026 to 102.3 mb/d[8]. That combination can discourage a rapid rebuild in hedge-fund longs even if nearby balances stay tight[8].
- The result is a two-way market: under-owned in outright futures, but not unambiguously mispriced. Traders appear more comfortable expressing views through spreads, optionality and structure while supply, demand and geopolitics pull in opposite directions[8,1,14].

Scenarios

- **Supportive case:** Managed-money net length in WTI starts rebuilding from currently low levels while OVX stays elevated and WTI and Brent backwardation remain firm. That would reinforce the view that outright crude risk had been under-owned relative to event risk and nearby tightness[1,6,5,2].
- **Pressure case:** Front-end backwardation softens as tanker disruption eases, observed inventories continue to rebuild and volatility keeps fading after the election-week spike. In that setting, light positioning would look more like justified caution than underpricing[8,9,16].
- **Range-trading case:** Funds continue to prefer spreads over outrights, with managed-money spreading staying large while net length remains subdued. Oil would remain driven by inventory, logistics and headline risk rather than a strong directional conviction build from speculators[1,9].

Levels to watch

- WTI last close: $88.56/bbl
- WTI 200-day moving average: $87.78/bbl
- WTI 50-day moving average: $95.37/bbl
- Brent-WTI spread: +$7.28/bbl
- WTI 52-week range: $55.27 to $112.95/bbl

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Glossary

Managed money: A CFTC trader category broadly covering hedge funds and other money managers active in futures markets [2][8].

Backwardation: A market structure where the near-dated contract trades above later-dated contracts, often associated with prompt tightness [6].

OVX: Cboe's measure of expected 30-day crude-oil volatility implied by options on the United States Oil Fund (USO) [9].

Open interest: The total number of outstanding futures and options contracts in a market at a given time [2][8].

Spreading: A futures positioning style that offsets one contract against another, such as calendar or inter-market trades, rather than taking pure outright directional exposure [2].

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