

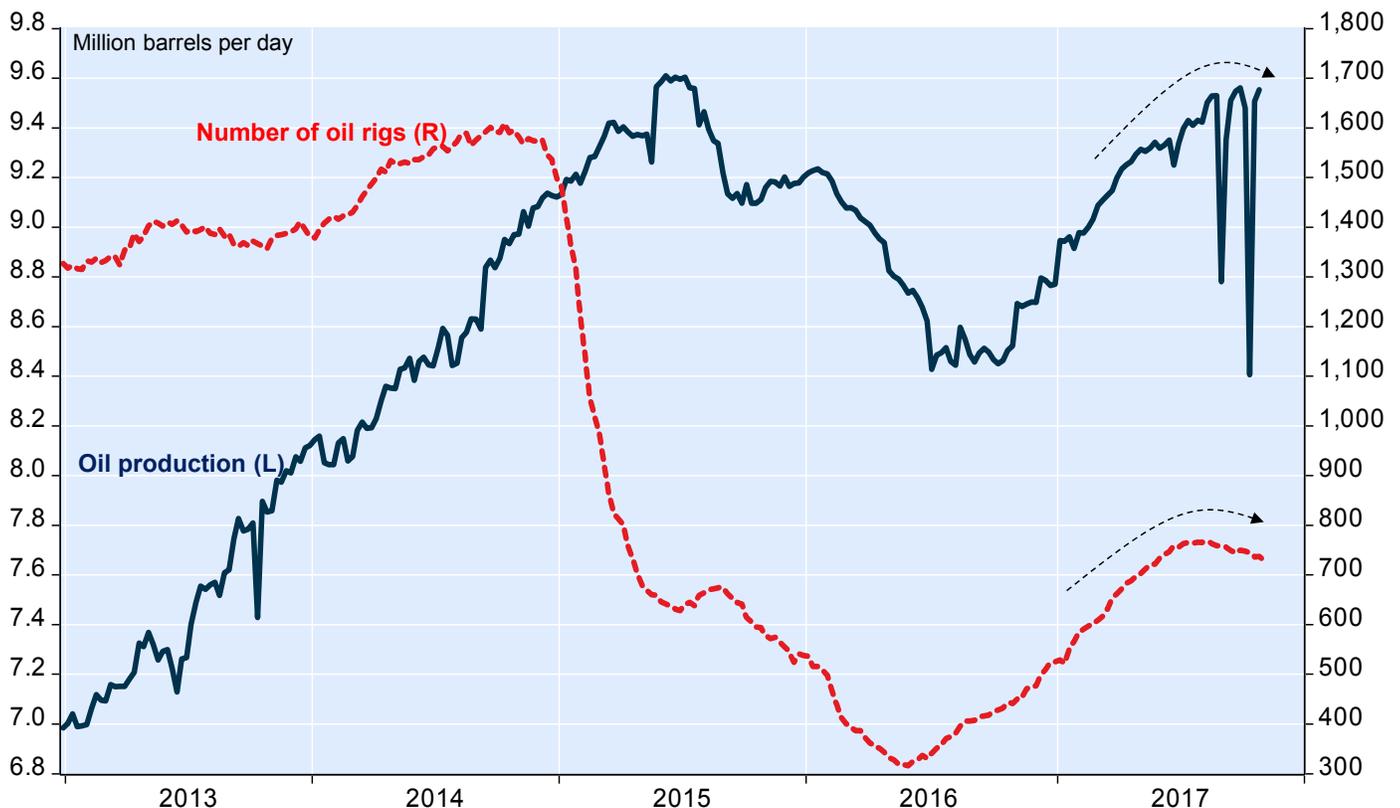
Commodity Watch

We have long been skeptical about the ability of OPEC to reduce the global oil supply glut amidst the U.S. shale production boom. But U.S. oil output now seems to be flattening out, in synch with a declining number of rigs. As today's *Hot Chart* shows, the number of active oil rigs in the U.S. is now at a 5-month low. The moderation in the pace of U.S. supply growth, coupled with improving world demand, explains the recent uptick in oil prices. That said, there's a limit to how much oil prices can increase before U.S. shale production, which is largely profitable at prices above \$45/barrel, resumes its upward trend and adds to supply. So, while the price of WTI oil should be above levels of recent years thanks to a much improved global economy, it's unclear if it can climb above \$60/barrel on a sustained basis.

Krishen Rangasamy

Commodities: What's pushing up oil prices?

U.S. oil production versus Number of oil rigs in the U.S.



NBF Economics and Strategy (data via Energy Information Administration, Baker Hughes)

Hot Charts

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