

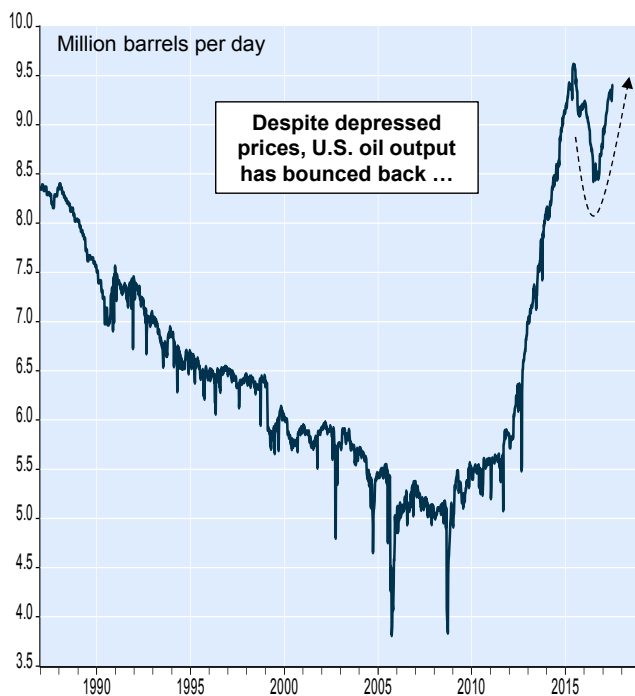
Commodity Watch

What doesn't kill you makes you stronger. That famous quote clearly applies to U.S. shale producers. Flashback to 2015 when oil prices were plummeting. At the time, Saudi Arabia didn't immediately feel the need to call for OPEC to limit supply, thinking that the price drop would eventually drive out of business high-cost production such as U.S. shale. That strategy backfired spectacularly on the Saudis because U.S. shale producers, with their backs to the wall, were forced to innovate and find efficiencies to survive. As today's *Hot Charts* show, they succeeded in cutting production costs in half in just three years, allowing them to be profitable even at currently low prices. That explains why U.S. oil output is now bouncing back, hitting a 2-year high of 9.4 million barrels/day in July according to the Energy Information Administration. Increased ex-OPEC production coupled with the Saudis' struggles in maintaining unity within OPEC with regards to its revised strategy of restricting output — the Saudi feud with Qatar and Iran is not helping — suggests the world's oil supply glut is unlikely to be absorbed anytime soon.

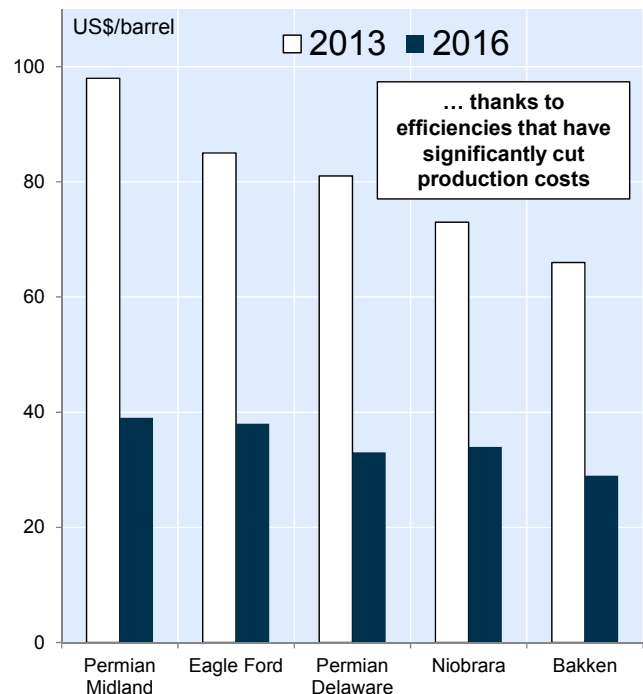
Krishen Rangasamy

Commodities: U.S. shale producers have halved production costs in just three years

U.S. crude oil production



Break-even prices for U.S. shale



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