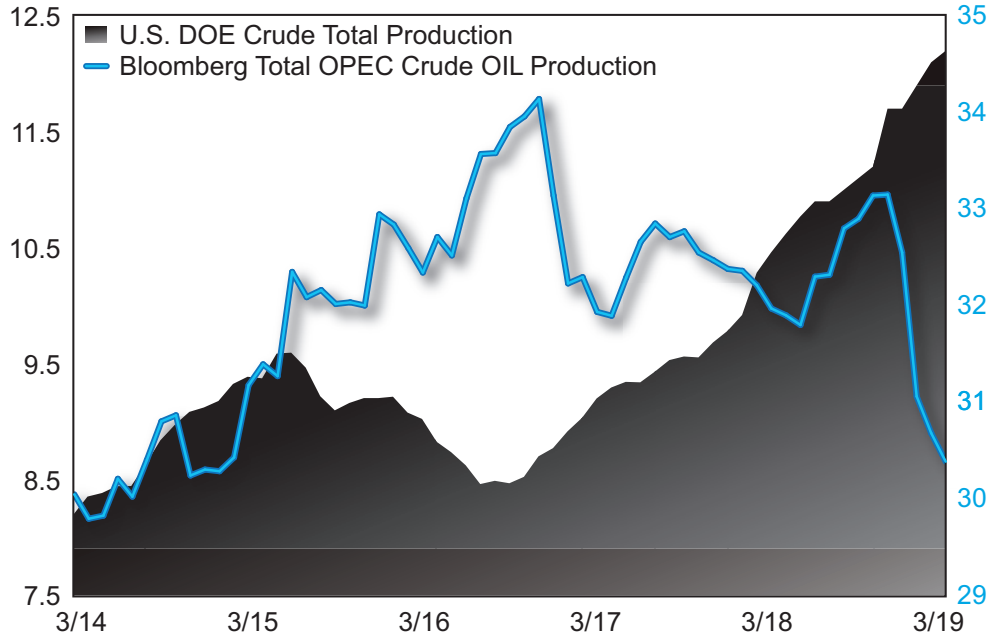


# A Snapshot of Crude Oil Production (U.S. vs. OPEC)

U.S. Oil Production vs. OPEC OIL Production  
(Millions of barrels per day)



Source: Bloomberg. Monthly data points, 3/31/14-3/31/19.

## View from the Observation Deck

1. Since the end of Q1'14, the peak (close on 6/20/14) in the price of West Texas Intermediate/WTI crude oil (U.S. benchmark) was \$107.26 per barrel, while the low point (close on 2/11/16) was \$26.21 per barrel, according to Bloomberg.
2. For comparative purposes, the peak (close on 6/19/14) in the price of Brent crude oil (International benchmark) was \$115.06 per barrel, while the low point (close on 1/20/16) was \$27.88 per barrel, according to Bloomberg.
3. From 3/31/14-3/29/19, the average price of a barrel of WTI was \$58.10, compared to \$62.81 per barrel for Brent. As of the close on 4/22/19, WTI stood at \$65.70 per barrel, compared to \$74.04 per barrel for Brent.
4. Various factors can influence the price of crude oil over time, including global economic growth (demand), the relative value of the U.S. dollar (exchange rate) and government sanctions (think current U.S. policy with Iran). Today's post is focused on the ongoing production battle between the Organization of the Petroleum Exporting Countries (OPEC) and the U.S., particularly its shale regions, which accounted for approximately 70% of U.S. daily output at the end of March 2019, according to data from Bloomberg.
5. As indicated in the chart, OPEC was steadily increasing production throughout 2014, 2015 and early 2016. OPEC reportedly wanted to engage in a price war with the U.S. It did not like the thought of the U.S. becoming energy independent due to the potential of its vast shale resources, in our opinion. By increasing production, the cartel was seeking to drive the price of oil down in the hopes that the newest drilling projects (shale) in the U.S. would become unprofitable and shut down, according to media outlet Vox.
6. U.S. crude oil producers cut production in early 2015 and continued cutting through the third quarter of 2016 (see chart) to try and stave off the plunge in oil prices. Shortly after oil prices stabilized, however, U.S. production steadily trended higher, from around 8.5 million barrels per day in September 2016 to about 12.2 million barrels per day in March 2019.
7. As U.S. oil producers were ramping up production, OPEC threw in the towel and opted to cut production. Its daily output declined from around 34.1 million barrels per day in November 2016 to about 30.4 million in March 2019.
8. While OPEC's price war did cause some short-term pain, U.S. producers persevered and production is currently thriving.

*This chart is for illustrative purposes only and not indicative of any actual investment.*

*The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial advisors are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.*