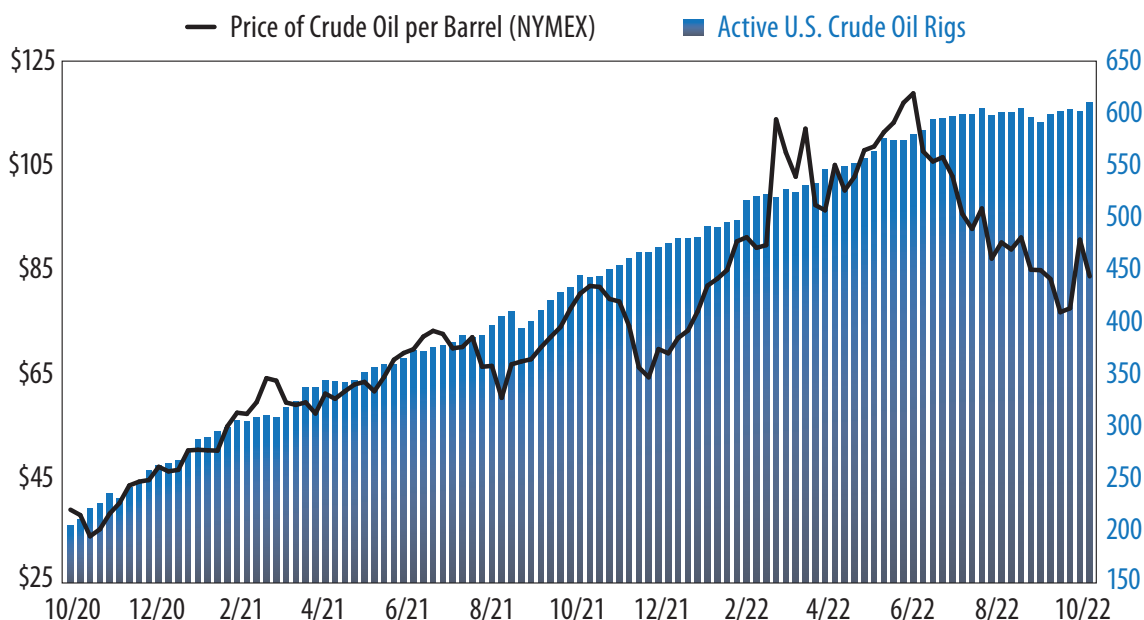


The Price Of Crude Oil Is Well Off Its Recent Peak

Crude Oil Gas Prices (WTI) vs. Active U.S. Crude Oil Rigs (10/16/20-10/14/22)



Source: Bloomberg, Baker Hughes. Weekly data points.

View from the Observation Deck

1. The price of West Texas Intermediate (WTI) crude oil stood at \$85.61 per barrel at the close of trading on 10/14/22, up 109.42% from its closing price of \$40.88 on 10/16/20, according to Bloomberg.
2. The average price (daily data) of crude oil for the period captured in the chart above was \$77.12 per barrel. The highest closing price for the period was \$123.70 per barrel on 3/8/22.
3. For comparative purposes, the S&P 500 Energy Index posted a total return of 194.44% over the same period in the chart, according to Bloomberg. The S&P 500 Index was up 5.95%. The top-performing energy subsector, of which there are five, was the S&P 500 Oil & Gas Exploration & Production Index, with a total return of 268.57%.
4. The number of active oil rigs rose from 205 on 10/16/20 to 610 rigs on 10/14/22, according to data from Baker Hughes.
5. While it is one thing for the price of a commodity, like crude oil, to spike from time to time, we have had instances where prices have remained at elevated levels for years. In other words, we have been here before and the high price of crude oil did not stymie the stock market.
6. From 2009-2014, the average price of WTI was \$86.96 per barrel, just above its \$85.61 per barrel price on 10/14/22. Over that same period, the S&P 500 Index posted a cumulative total return of 159.27% (17.20% averaged annualized gain), compared to 73.00% (9.56% average annualized gain) for the S&P 500 Energy Index, according to Bloomberg.
7. Up until the past few months, the rise in the relative value of the U.S. dollar over the past two years did not create much of a headwind for the price of crude oil. From 10/16/20 through 10/14/22, the U.S. dollar rose by 20.95% against a basket of major foreign currencies, as measured by the U.S. Dollar Index (DXY), according to Bloomberg.
8. As indicated in the chart, the price of crude oil has declined fairly steadily since the end of May 2022. The U.S. Dollar Index rose by 11.36% from 5/31/22 through 10/14/22. On top of the strengthening dollar, the Biden administration began selling one million barrels of oil per day (180 million total target drawdown) from the U.S. Strategic Petroleum Reserve (SPR) to bring down oil and gasoline prices, which rose after Russia invaded Ukraine in February.
9. The Biden administration stated on 10/19/22 that it hopes to repurchase the oil to refill the SPR at a price of around \$70 per barrel. We'll see.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. The S&P 500 Energy Index is a capitalization-weighted index comprised of 500 stocks representing the energy sector. The S&P 500 Energy Index is comprised of five subsectors.

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