

Cash Flow and Carey



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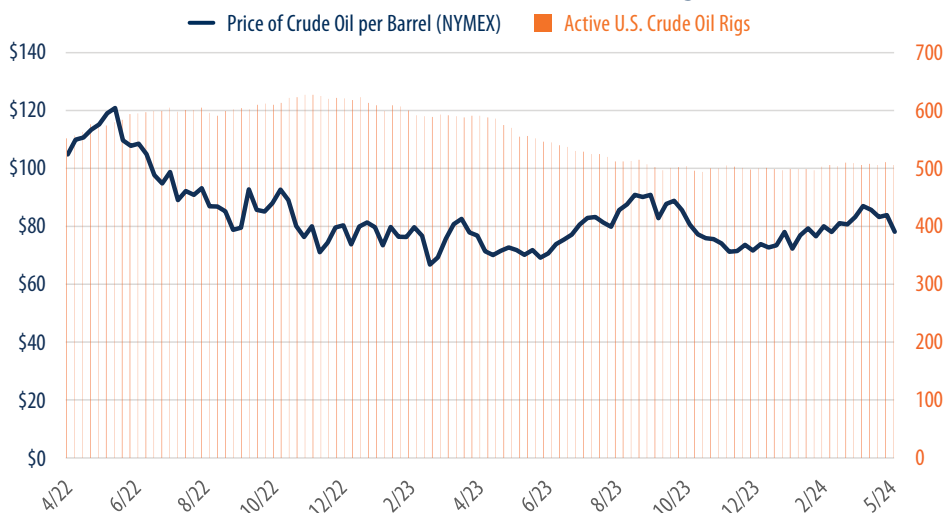


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Crude Oil Prices Remain Below Most Recent Highs

Crude Oil Gas Prices (WTI) vs. Active U.S. Crude Oil Rigs (4/29/22 – 5/3/24)



Source: Bloomberg, Baker Hughes. Weekly data points.

View from the Observation Deck

The Energy Information Administration (EIA) reported that U.S. petroleum consumption averaged nearly 20.28 million barrels per day in 2022, an increase of almost 12% from average daily consumption in 2020, according to its own release. While many pundits predict that petroleum usage will decline over the long-term, oil was the most-consumed energy source in the U.S. on an annual basis in 2022. Today's post contrasts the price of West Texas Intermediate (WTI) crude oil to the number of rotary drilling rigs (a proxy for supply) deployed in the U.S. on a weekly basis, over a two-year time frame.

- The price of WTI crude oil stood at \$78.11 per barrel at the close of trading on 5/3/24 (end of chart), down 25.39% from its closing price of \$104.69 on 4/29/22 (start of chart), according to data from Bloomberg.
- The average daily price of crude oil was \$83.08 per barrel during the period captured in the chart. The highest and lowest closing prices were \$122.11 and \$66.74 per barrel on 6/8/22 and 3/17/23, respectively.
- For comparative purposes, the S&P 500 Energy and S&P 500 Indices posted average annual total returns of 15.17% and 13.13%, respectively over the same time frame. The top-performing energy subsector, of which there are five, was the S&P 500 Oil & Gas Refining & Marketing subsector, with an average annual total return of 34.76%.
- The number of active U.S. oil rigs declined from 552 on 4/29/22 to 499 on 5/3/24, according to data from Baker Hughes. The most recent high for the metric was 627 on 12/2/22.

Takeaway

On 5/3/24, the price of a barrel of WTI crude oil stood at \$78.11 per barrel, 36.86% below its most recent high of \$123.70 which occurred on 3/8/22, just a few weeks after Russia's invasion of Ukraine. Remarkably, crude oil prices declined over this period despite sanctions against Russian oil and Hamas's invasion of Israel. In our view, surging U.S. crude output has likely contributed to this phenomenon. The EIA reported that U.S. crude oil production and crude oil exports reached record highs of 12.9 and 4.1 million barrels per day, respectively, in 2023. The export figure is notable. Prior to 2020, the U.S. had been a net importer of crude oil going back as far as 1949. The rise in the relative value of the U.S. dollar may also be a contributing factor to the decline in crude oil prices over the past few years. From 3/8/22 through 5/3/24, the U.S. dollar rose by 6.02% against a basket of major foreign currencies, as measured by the U.S. Dollar Index (DXY).