

What's driving your energy prices?

Bullish Factors

- Economic data out of Japan, the world's third-largest economy, has been encouraging with the latest GDP figures showing their economy grew at a 2.4% annualized pace during the first three months of the year, beating expectations for a smaller 1.5% gain.
- Crude oil imports into China rose to a new record high in April as the world's second-largest oil consuming nation imported 7.37 million barrels per day, marking a year-over-year 8.6% gain.
- U.S. crude oil stocks declined 2.67 million barrels last week, according to the Energy Information Administration (EIA). The decline in stocks marked three straight weekly draws and topped expectations for a smaller 1.05 million barrel decline.

Bearish Factors

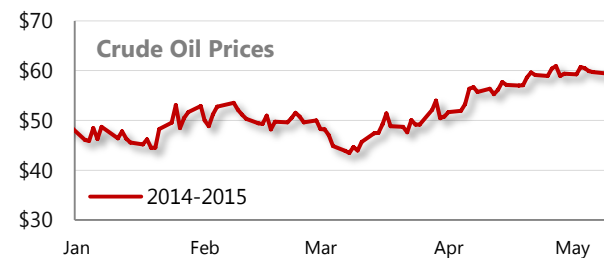
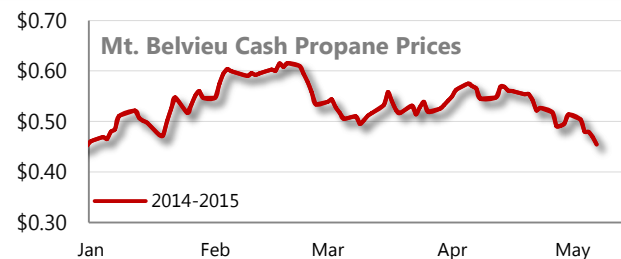
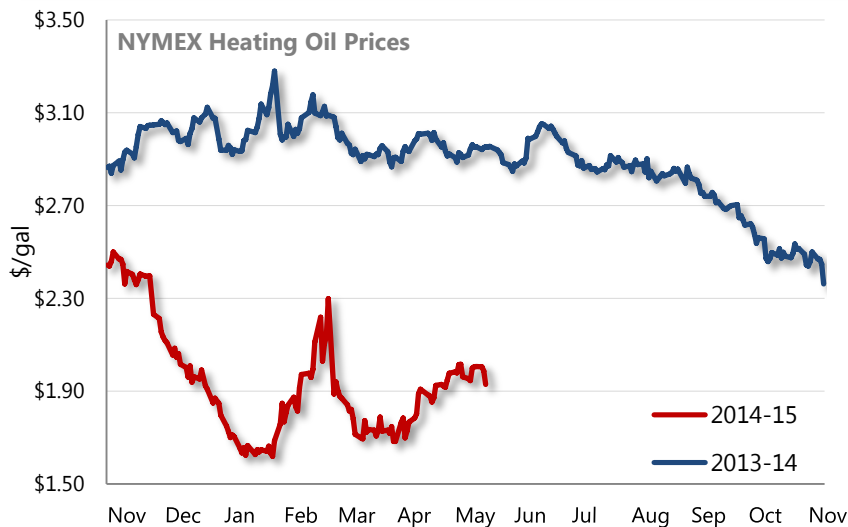
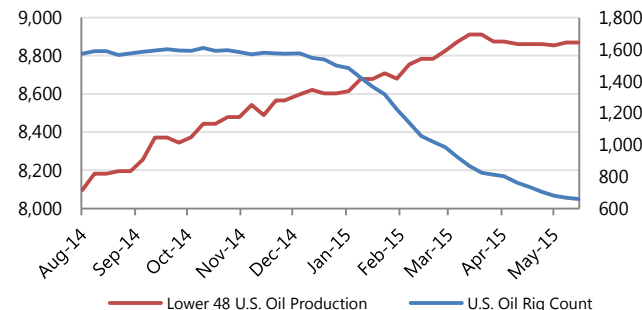
- U.S. high sulfur heating oil stocks increased over half a million barrels last week, according to the EIA, with stocks on the East Coast accounting for slightly over half of the build, up 320,000 barrels to 4.89 million barrels.
- The latest U.S. oil rig count data from the Baker Hughes weekly oil and gas rig count report showed oil rigs fell marginally last week, down just 8 rigs for their smallest weekly drop since December.
- Crude oil exports from leading OPEC member Saudi Arabia climbed to their highest in over a decade in March, rising to 7.898 million barrels per day from 7.35 million barrels per day in February.

Did you know?

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Oil Keeps Flowing Despite Rig Drop

If you had said six months ago that U.S. crude oil producers could slash the oil rig count by nearly 60 percent and keep output virtually unchanged, I think many would have found it very hard to believe. However, this has been the case as output from the lower 48 states (where the shale revolution has taken place) has fallen by only 57,000 barrels per day (less than one percent!) despite producers shutting down 949 of the 1,609 active rigs during their October 2014 peak. In fact, U.S. crude oil production is expected to continue to rise, according to EIA's Annual Energy Outlook, on pace to hit 10.6 million barrels per day by 2020! The chart below shows the U.S. rig count (blue line, right axis) and crude oil production from the lower 48 states (red line, left axis).



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