

Oil has been on a tear of late, and while many are claiming the rising price is the result of inflation or a weak dollar, I believe there are more fundamental reasons for the spike. A Bank of America analyst recently stated they believe oil will exceed \$100/barrel over the next year. There are many factors impacting the price of oil today. Global demand during 2019 was right at 100 mb/d (million barrels per day) right in line with supply. The pandemic caused demand to fall by 9 mb/d and created a glut of oil and plummeting prices. Demand is just now beginning to rise above supply, and the glut should be worked off quickly as supply increases are likely to be minimal, resulting in prices continuing higher.

- After being in lockdown, some for 18 months, there is strong pent-up demand for travel that will drive demand for oil higher. Airlines are close to 2019 passenger counts and many cruises are sold out.
- Driving patterns will likely change as a result of the pandemic. Fewer people are likely to take public transportation and will drive personal cars to work and play, lifting demand.
- Supply growth will be limited by governmental policy, such as trying to achieve emission goals from the Paris accord and pressure from ESG investors. For example, the foregoing factors may have contributed to Royal Dutch selling all Permian Basin assets.

