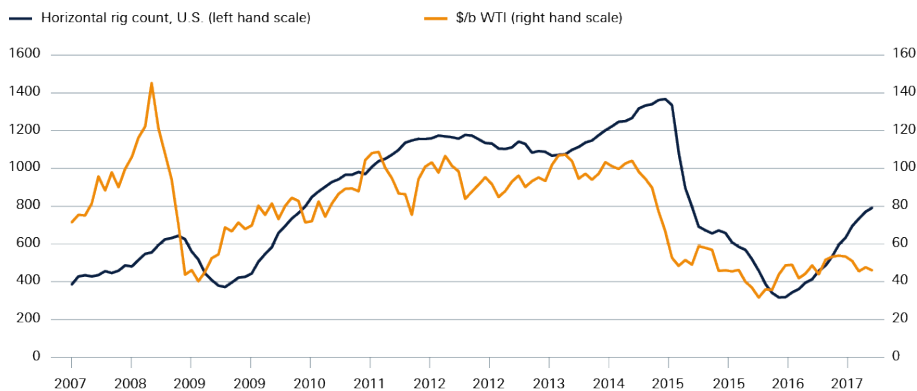




## Chart of the week

### Are U.S. shale producers slowing their expansion?

The oil market is always pretty unpredictable. And, in recent days, there has been plenty to keep oil watchers entertained. Take reports of Russia refusing to cut the oil production further. Or those on WTI having just had its best run in over five years. (Following recent weakness, the oil price rising on eight consecutive days.) Or the fact that for the first time in about a year, the number of oil rigs in the U.S. is declining. Of course, we are only talking about two fewer rigs, compared to the previous week, leaving us with 756 oil rigs. Meanwhile, the number of horizontal oil rigs for the U.S. shale production remains stubbornly high. But at least, shale rigs are not getting more numerous any longer. And here is how it all fits together: We can almost certainly say that the newest data for rig count moves the oil price, but only in the short run. In the long run the oil price drives the U.S. rig count, as our chart neatly illustrates. U.S. shale production is not the only determinant of the oil price. Otherwise, the oil market would be pretty predictable – and boring.



Sources: Bloomberg Finance L.P., Deutsche Asset Management Investment GmbH; as of July 6, 2017

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