

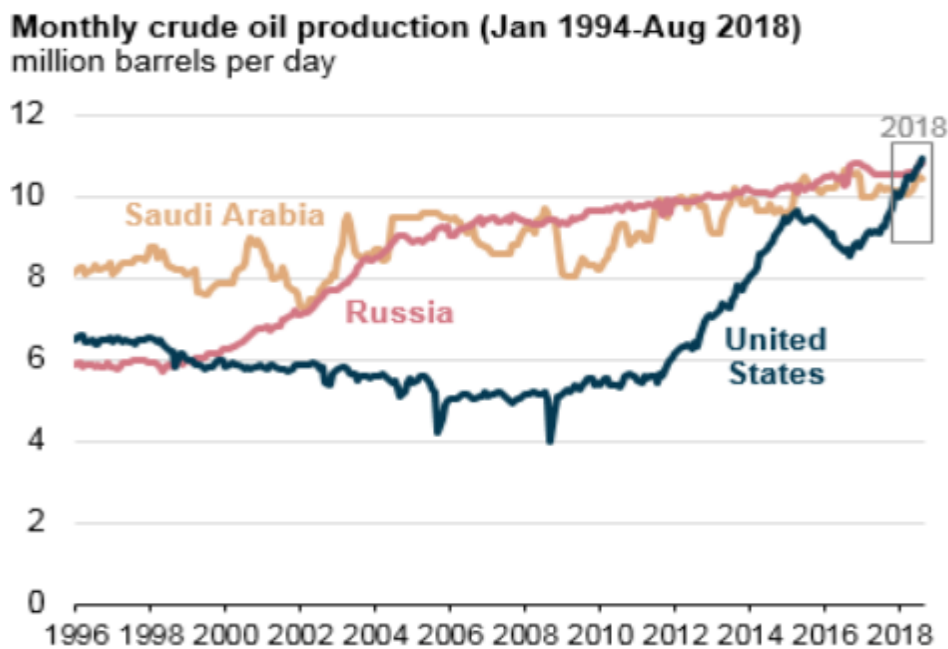


Key Takeaways

- The United States is likely the world's largest producer of crude oil, according to preliminary estimates by U.S. Energy Information Administration (EIA) released this week.
- The Lone Star State of Texas is on track to produce more oil than either Iran and Iraq, making Texas the third largest producer in the global landscape.
- With the lift of the 40-year ban by Congress to export crude oil in 2015, the U.S now exports to South America, Europe and China; this could potentially just be the beginning of the U.S. energy renaissance.

Taking the lead

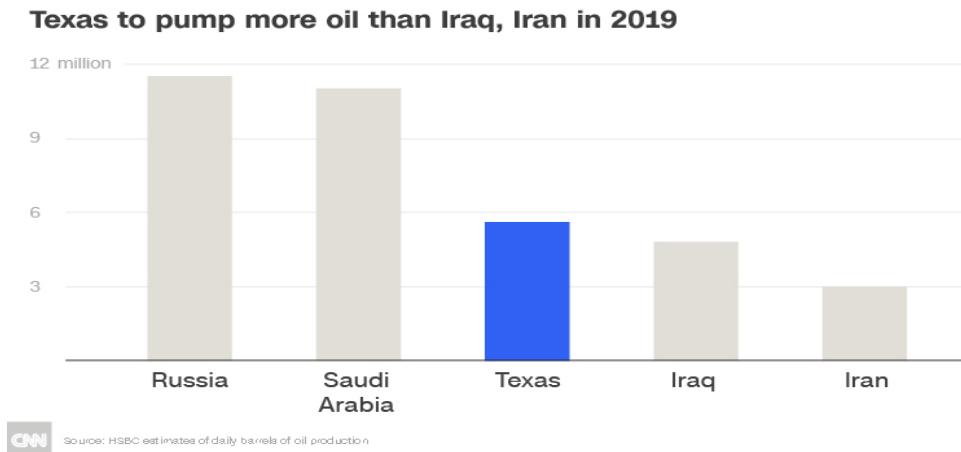
United States (U.S.) shale oil growth has altered the standing of the world's top energy producers. Just this week, the U.S. claimed the No. 1 spot in global oil production, beating top producers Saudi Arabia and Russia. American oil output has more than doubled over the past decade from lows of 4 million barrels per day to over 11 million barrels per day. The primary driver of this growth was the rapid advance in drilling technology known as fracking. Fracking helped unlock large sums of oil and natural gas across the country and thus drive drilling costs lower. The U.S. is not expected to give up its lead anytime soon, either. In fact, the EIA estimates that U.S. production will stay ahead of Russia and Saudi Arabia through 2019.



Source: U.S. Energy Information Administration, [Short-Term Energy Outlook](#)

The Lone Star State of Texas dominates in oil production

Everything is bigger in Texas, which is why it is no surprise that it is central to the shale boom. Production in the Permian Basin of West Texas has increased dramatically this year, catapulting the United States ahead of Saudi Arabia. In April of this year, exports out of the Houston-Galveston port had exceeded imports as per the EIA. Texas is now on track to produce more oil than Iraq or Iran. This would make Texas the third largest in the world for oil production.



Conclusion

The shale boom has several implications. First, higher oil prices, which led to higher U.S. production, have contributed to the impressive second quarter economic growth – the fastest growth since the third quarter of 2014. The EIA estimates the U.S. will become a net exporter of oil by 2020, given the infrastructure to move it abroad is also upgraded. As such, the U.S., which remains a consumption-led economy today, could now diversify its GDP through energy-related investments. Second, the shale boom has important national security implications because it provides the U.S. with the freedom to remain less reliant on foreign oil from turbulent regions of the world. Furthermore, while the U.S. has gained market leadership in oil production, the traditional players such as OPEC and Saudi Arabia won't give up power so easily. They continue to maintain significant influence on oil prices and we expect that they will exert their influence when they can. Finally, because U.S. refineries were built nearly a decade ago and will require substantial investment to be upgraded to more up-to-date facilities, the American dependence on foreign oil will continue despite the increased production.

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