



# WEALTH MANAGEMENT INTERNATIONAL, LTD.

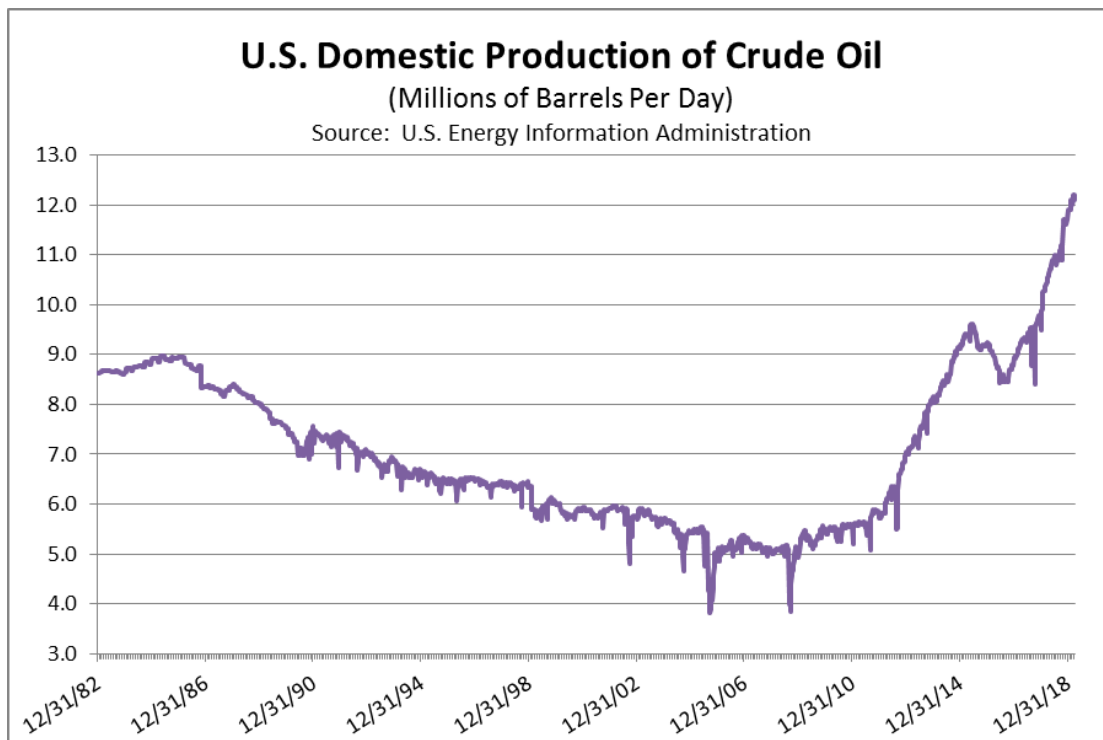
Proactive Investment Management & Financial Planning

## Economic Chart of the Week April 24, 2019

Press reports this week indicated the Trump administration will stop allowing certain foreign countries to import Iranian crude oil using the global, dollar-based financial system. By enforcing U.S. sanctions on Iran more stringently and eliminating any waivers, the administration hopes to effectively shut Iranian oil out of the global market and force its government to cease its provocative international activities. The potential loss of all supply from Iran has already boosted global oil prices.

Why would the administration accept such a rise in prices when it previously worked so hard to keep energy costs low? Today's chart suggests the administration is gambling that any Iranian shortfall can be made up by surging U.S. production (along with increased output by some Middle Eastern allies). The chart shows just how dramatically domestic oil production has increased over the last decade, as new technologies like hydraulic fracturing ("fracking") and horizontal drilling were adopted. The global oil price crash of 2014-2016 temporarily forced producers to rein in their activity, but rebounding prices over the last few years have touched off a frenzy of new drilling and recently lifted U.S. production to a record high of 12.2 million barrels per day. That, in turn, has driven down U.S. imports, leaving more oil available for the international market. We think the loss of supply from Iran (and some other countries) will keep oil prices on the rise for now, but rising output from the United States and its allies could help limit the increase. The problem is that high allied supply also creates a risk that prices could suddenly drop if international tensions unexpectedly soften or non-Iranian output rises too far. Therefore, we're currently maintaining exposure to commodity funds only in our more aggressive strategies.

Patrick Fearon, CFA  
Lead Portfolio Manager



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