

## **Geo-Political Strategist: 2020**

### **Economic Barometer: the \$ Price of Oil**

Consensus forecast:

**WTI oil, \$/bbl, as of 3 pm, 5/1, \$56/bbl**

As a Geo-Political Strategist, you must submit your first forecast on Tuesday, 2/11.

You may update your forecast, at any time, via email.

The forecast closest to correct, AND presented the earliest, wins bragging rights.

In class, starting 2/12, you must be ready to speak about emerging developments that bear on the price of oil:

**Was the news signal or noise?**

**Are reactions to news sensible or do you have a unique interpretation?**

**Did the news change your forecast?**

### **The ABCs of Oil Prices**

Prices for a global commodity reflect global supply and demand:

Changes in, in part, are driven by change in global economic activity.

Changes in supply, in part, reflect exploration successes.

Spikes in oil prices depress economic activity. Each of the last four global economic downturns began following a sharp spike in the price of crude oil. Twice in the past twenty years, the U.S. has gone to war with Iraq, a major oil producer. Thus, energy prices appear to be a major global issue.

Climate change as a threat to human existence also is an obvious threat to demand growth of fossil fuels.

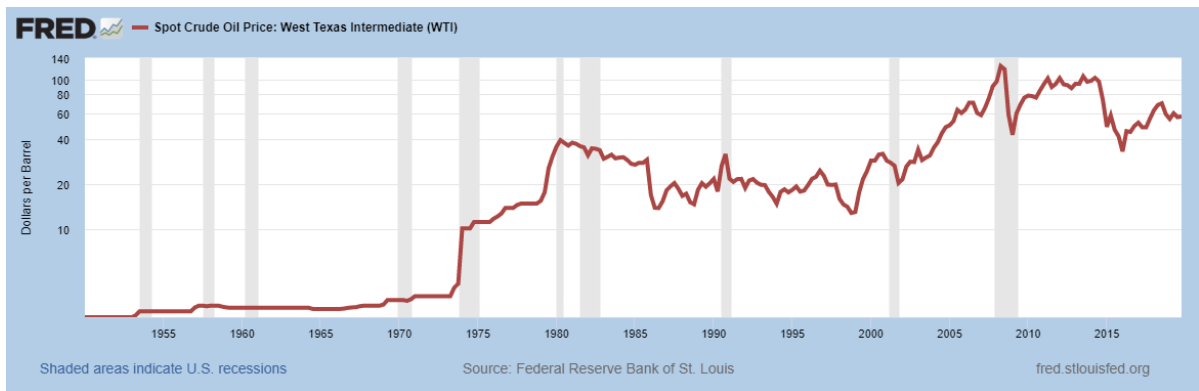
Climate change effects on oil producers' willingness to supply oil, in the short run, are also very important.

Two guides to thinking about oil prices and policy:

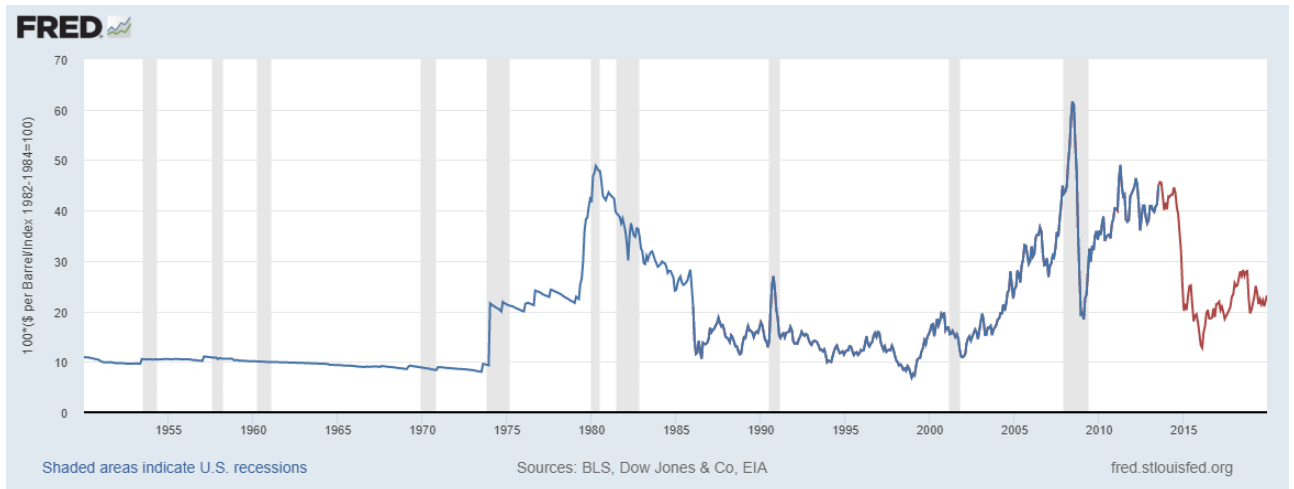
<https://cfe.econ.jhu.edu/are-the-saudis-thinking-clearly-and-should-we/>

<https://cfe.econ.jhu.edu/saudis-thinking-clearly-trolling-chumps/>

## The Price of Crude Oil, 1950 to 2020 (\$/bbl, log scale)



## The Real Price of Crude Oil (\$/bbl) / (CPI Index)



## Crude Oil Prices: 2015-2020 (\$/bbl, Bloomberg symbol: CL1 [index])

