

# Investment Update

## Investment Check-in and Summer Check-out



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Since recovering earlier this year, oil prices have vacillated between \$50 and \$65. Concerns over supply from Iran and Venezuela have turned to concerns over demand from threats of further trade disruptions and slower global economic growth.

However, earlier this month, Iran shot down a U.S. drone and crudes price jumped as tensions have increased and reinjected a “Middle East” risk premium. We have maintained that as an investor in energy and oil-related equities, you have to be a geologist, an economist and a geopolitical expert.

Thanks to Ned Davis Research, a history of Middle East crisis events shows a wide variation of outcome for oil prices. Since 1987, Brent oil prices have been up as much as 57.5% or down as much as 23.4% three months after an event. On average, oil prices do jump in the immediate aftermath of a crisis but gradually taper off as a function of the underlying fundamentals.

The next OPEC meeting is scheduled for July 1-2 and the expectations are for extending the current production cut rates. Today’s energy situation is fluid and we expect more headlines going forward as global powers adjust to a new and more complex macro world where trade deals will dictate the future of the supply-demand equation for oil.

We believe the more important meeting is the G-20 Summit in Japan over this coming weekend. President Trump and Chinese Premier Xi are expected to meet on Saturday and news of extending current trade negotiations or imposing additional tariffs could be a driver of volatility and market movement. The summer months are associated with lower trading volumes as a lot of investors take vacations, which could magnify some of the daily moves in the market.

So, before you head out to the beach or the mountains, take the opportunity to talk to your investment team to review your portfolio in energy stocks and overall allocation and enjoy your summer!

A handwritten signature in blue ink that reads "Amaury".