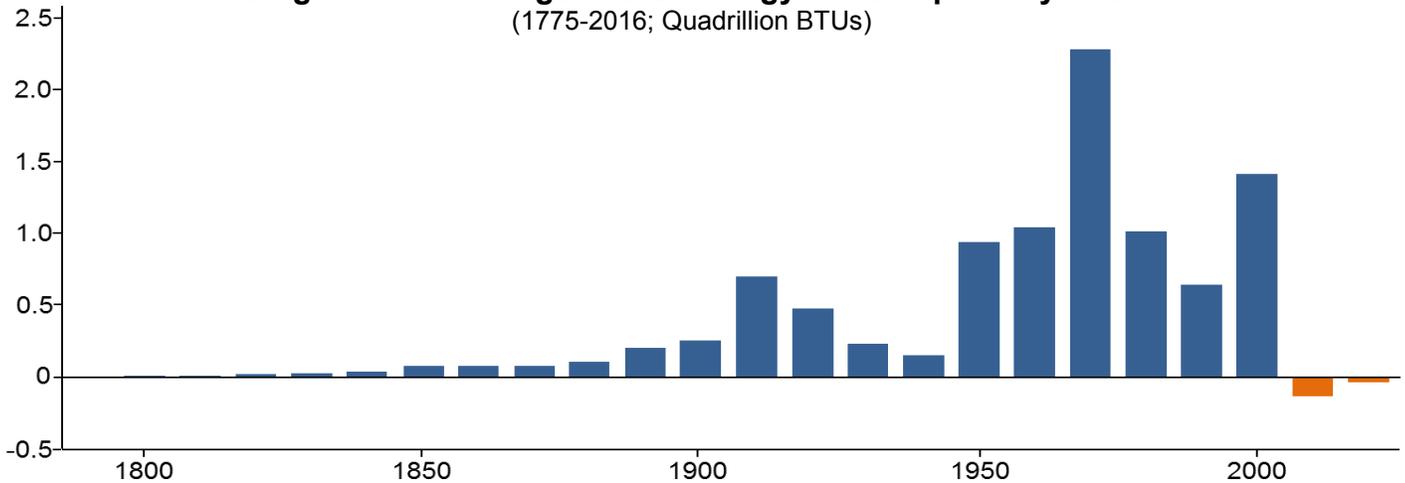


America runs on...less energy than it used to

Chart of the Month - May 2018

Quite a bit has changed since the founding of America. For one, the Department of Energy estimates that the country uses 400 times more energy than in 1776^a. The relentless rise in emissions is sparking environmental concerns. But there is hope. For the first time in over 200 years, Americans actually decreased their energy usage. The chart below shows the increase in energy usage by decade – you can see the bar dips below the line in the new millennia.

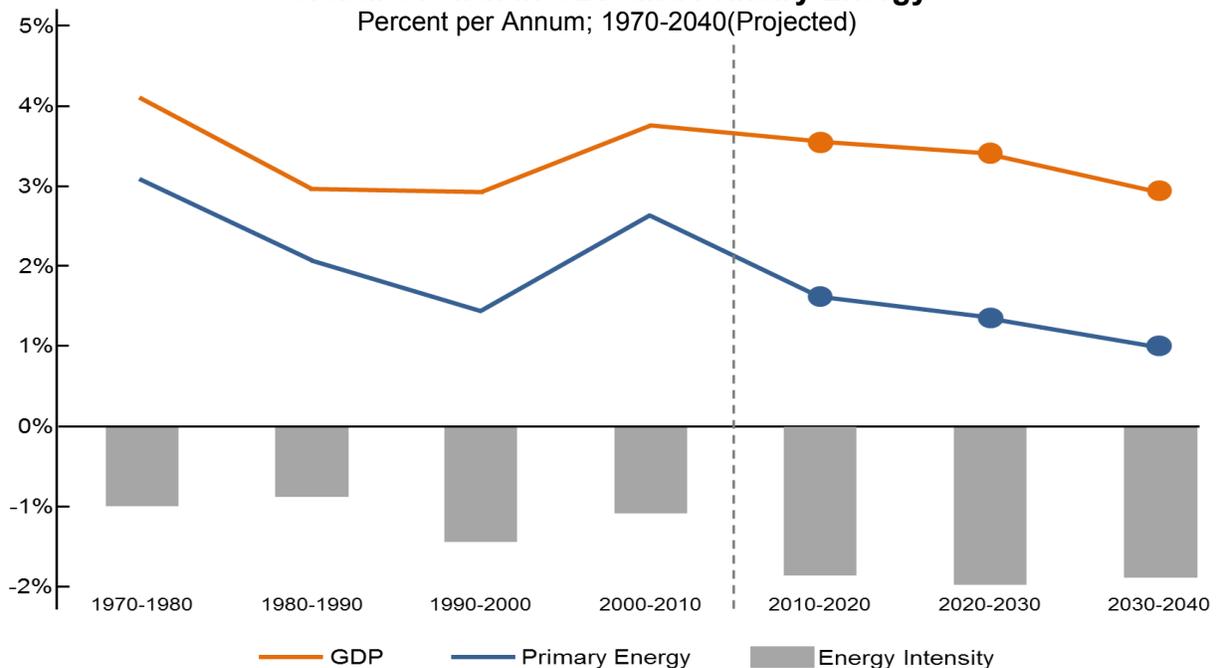
Average Annual Change in U.S. Energy Consumption by Decade
(1775-2016; Quadrillion BTUs)



Sources: Bloomberg, Energy Information Administration
Average annual change in U.S. energy consumption by decade, except for the six-year period ending in 2016.

The global economy used to be more directly tied to the availability and price of energy, especially oil. Economic growth required cheap and plentiful energy. That also is changing. The chart below shows how global growth has decoupled from the growth in energy used.

Global Growth in GDP and Primary Energy
Percent per Annum; 1970-2040(Projected)



Source: BP 2018 Energy Outlook
Primary energy comprises commercially-traded fuels, and traditional biomass. Energy intensity is energy used per unit of GDP.
a. Denning, Liam, "The Energy Revolution Will Be Optimized", 8/16/2017.

The growing gap between the two lines signals that less energy supply is needed to support economic growth. The bars below show this decreasing energy intensity of the global economy.

It should be noted that this chart comes from British Petroleum. They forecast the global economy will double in size by 2040 but energy consumption will only increase by 35%^b. They recognize the change in the global economy and are pivoting away from drilling for oil and are trying to diversify into alternative forms of energy production.

The investment implication is that the global economy is more resilient to fluctuations in the price of oil. The world used to hang on the words of OPEC. No more.

Market Performance^c

Index	April 2018	Year to Date (1/1/18-4/30/18)	One Year (5/1/17-4/30/18)
S&P 500 Index	0.4%	-0.4%	13.3%
MSCI EAFE Index	2.3%	0.7%	14.5%
Barclays U.S. Aggregate Bond Index	-0.7%	-2.2%	-0.3%
JP Morgan Global Aggregate Bond Index	-1.5%	-0.5%	3.7%
Bloomberg Commodity Index	2.6%	2.2%	8.0%
Gold (\$/oz)	-0.7%	0.9%	3.7%

b. BP 2018 Energy Outlook, BP Energy Economics (<https://www.bp.com/content/dam/bp/en/corporate/pdf/energy-economics/energy-outlook/bp-energy-outlook-2018.pdf>).

c. Source: Bloomberg. Total Return indices.

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