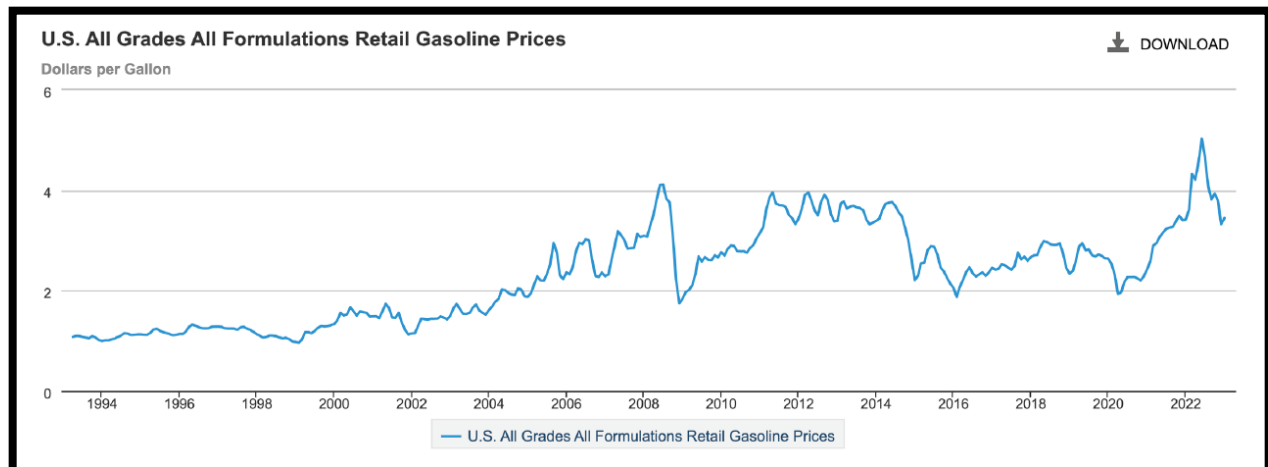




Volatile Gas Prices

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If you enjoy painful memories, then think back to when the average price of gasoline at the pump was up over \$5.00—last June. Today, the average price around the country is around \$3.50, and as you can see from the historical chart, that's somewhat more expensive than what we were paying prior to 2008 but roughly average for the period since then. You can also see that the price since 2008 has been fairly volatile; the price line is much more jagged recently than it had been before.



The reason for the price instability is that it's very hard for producers and futures speculators to estimate how much demand there will be for an oil, generally, in the U.S. and global economy. The job of making these estimates, and betting on them, falls to traders in oil futures contracts, who may be investors, speculators or companies that simply want to lock in a price for their future energy needs. These traders look at whether supplies are diminishing, as when the war in Ukraine led to sanctions, or as Russia recently decided to dramatically cut back production. And they look at the projected demand, which may mean economic growth or decline (aka a recession). They look at inventory levels—that is, how much oil is stockpiled by various countries, and when the stockpiles dwindle, it takes away a dampening effect on the supply/demand equation.

The bottom line here is that the global supply and the global demand have become very finely tuned, so that small changes on either side can have outsized price ramifications—which means prices bouncing around as producers are trying to entice buyers, or as consumers are bidding for a resource that has become a bit more scarce. You can add to that the fact that the OPEC+ nations themselves make political decisions regarding how much oil to send to the markets; witness Saudi Arabia recently cutting production in order to raise the prices its oil could command.

Of course, despite the recent dip in prices, we Americans still complain about the price at the pump. But perhaps we should be more grateful. In Japan, a gallon of gas costs \$4.71 on average. Australians are paying \$4.37, Chinese consumers are paying \$4.56, and in Spain you'd pay \$6.61 a gallon to fill up your tank—and you'd be thankful that you're not getting socked with \$6.77 a gallon the way UK drivers are. And we should all express our sympathies to residents of Hong Kong, where gas prices are running a bit above \$10 a gallon—the highest in the world.

Sources:

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<https://businesscouncilab.com/work/why-gas-prices-are-high-volatile-and-likely-to-remain-that-way/>

https://www.globalpetrolprices.com/gasoline_prices/

If you have any questions about this article or want to discuss your family finances, investment portfolio, or financial planning advice, please call on me anytime at my number [\(215\) 325-1595](tel:2153251595) or you can [click here to schedule a meeting](#).

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