



Zanetti Monday Missive 2022.03.14 High Gas Prices

“Today's gasoline prices are taking a severe toll on Americans' pocketbooks. Consumers are anxious.”

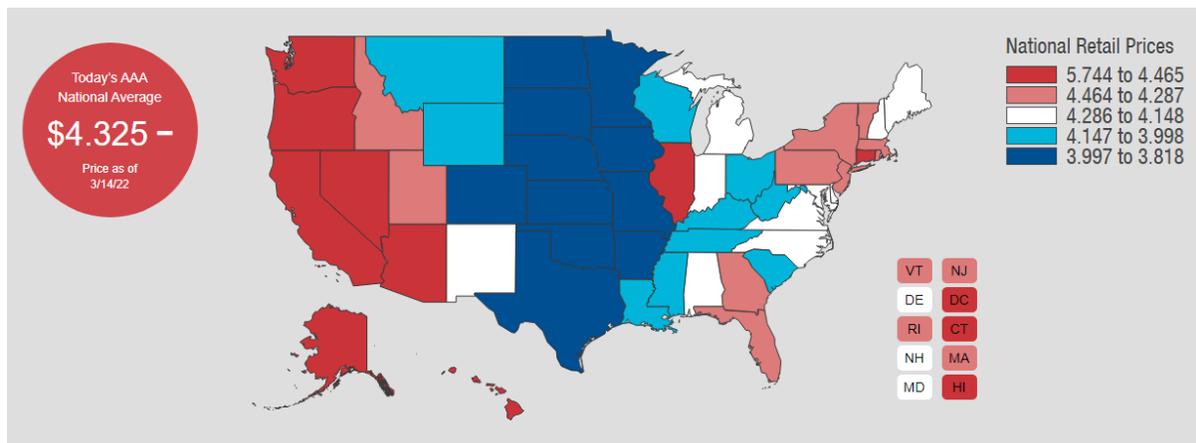
~ Pete Domenici, U.S. Senator (1973-2009)

Well, Gasoline is really hitting our pocketbooks, isn't it?

According to AAA, the national average price today is: \$4.33/gallon.

In New Mexico, the average price is \$4.18/gallon. Of all the 50 states, California is leading the pack at \$5.74/gallon. And that's just the “cheap

stuff" - not mid-grade, premium or diesel!



We'll have to wait a few more weeks before the "full monthly average" can be calculated for March, but based on the first 2 weeks of the month, it's not looking good. In fact, I think it's relatively safe to say it will probably average above \$4.00/gallon.

Why is that significant? Well, we'll see how significant it is, but I remember the last time gasoline was above \$4/gallon. I don't know if you remember where you were, but I clearly do...

It was the summer of 2008, the Real Estate Bubble had popped and was starting its long deflation, but Lehman Brothers was still going strong (on the surface), they wouldn't file for bankruptcy until September. (It was Lehmann Brothers' collapse that was the nail in the coffin for the Great Recession.)

U.S. All Grades All Formulations Retail Gasoline Prices



 Source: U.S. Energy Information Administration

At the time, I was a Sr. Financial Analyst at US Eagle Federal Credit Union. As an analyst, I was in charge of the credit union's investments. In that role, I sat in on all of the finance meetings and things were getting uneasy.

Gas prices had been increasing to new highs since the summer of 2007. What sticks out in my memory was that with every monthly increase for the prior 12 months, we were hearing complaints from our auto lenders and borrowers. By the summer of 2008, we were at a breaking point. With home equity dropping (hence the popped Real Estate bubble) and the reverberations through the general economy – seen in a drop in employment and excess money, our borrowers were starting to voluntarily bring their cars into the repo department.

Banks have “Repo Departments” where they repossess collateral when folks don't pay their loans as agreed. I've never done that job, but it doesn't sound fun.

In the summer of 2008, the loan collectors jobs were turned upside down. We had borrowers who had no problem making their monthly auto loan payments, but they could no longer afford to fill up their gas tank. These responsible borrowers, who meant no harm, willingly drove their cars to the

credit union (I specifically remember several Hummer owners) and handed over their titles and car keys – they would explain their situation and apologize. And the crazy thing is that it was happening widespread – almost as if it had been organized. But it hadn't been organized – gas prices were just affecting everybody.



2008 was the last time gas had crossed the \$4.00/gallon average. Since then, we've had a few close calls where the national average was above \$3.90, but there has been an effort to avoid that psychological barrier. Politicians rise and fall with gas prices.

Gas prices are a big deal! Right now, those prices are how the economy moves. People go to work in cars, trucks and buses. That's how they go grocery shopping – even if they order groceries for delivery. People drive to go to vacation (where they spend money). 18-Wheelers use diesel gas to deliver goods across the country. The military moves across the world with gas (or nuclear or jet fuel). Airplanes fly through the sky with jet fuel.

Some day we may all be driving electric vehicles, but that day is not here yet. Far from it. In the meantime, most of us have to fill up our tanks – and now we may have to make choices.

When gas prices rise, people prioritize when and where they will drive. And, sometimes, the whole economy is affected. I know we'll all be paying attention to the prices at the pump for the near future.

Just remember, we've been preparing for this. Gas prices rise because oil prices rise. Oil is one of the many commodities we are targeting.

Your Mad-At-Gas-Car-Ain't-Just-An-Island-Off-The-Coast-Of-Africa
Financial Advisor,

Walt

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