

HOW RISING GASOLINE PRICES AFFECT CONSUMERS & INVESTORS

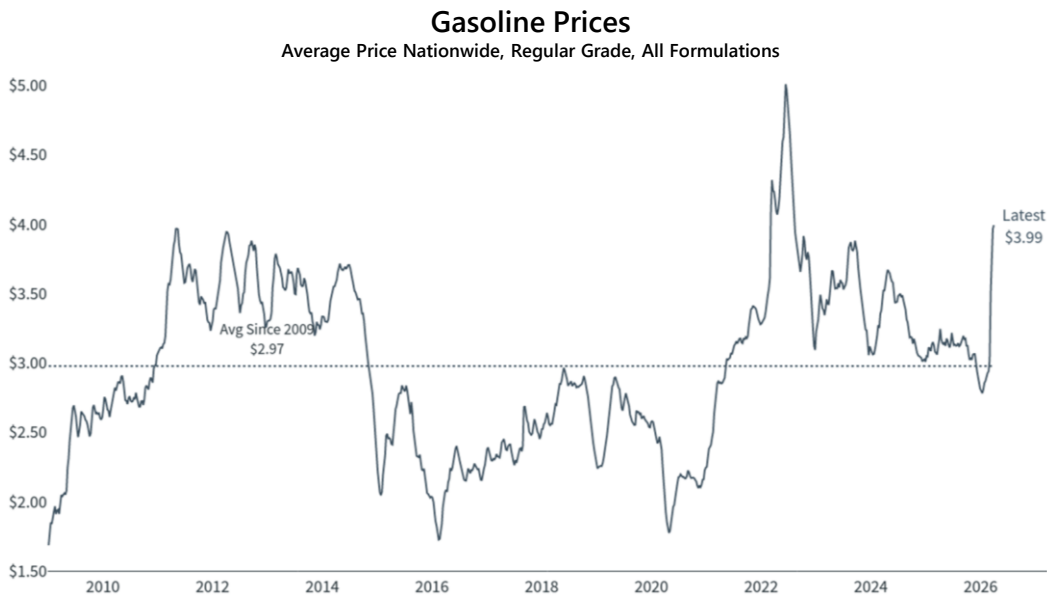
Rising oil prices have already driven gasoline prices higher at the pump. How could this impact consumers and the broader economy?

For most Americans, the price of gasoline at the pump is one of the direct ways the conflict in Iran affects their everyday lives. Gasoline prices are prominently displayed and updated frequently, and filling up on at least a weekly basis is a basic necessity to commute to work, school, buy groceries, and more. Diesel prices are just as important since they affect the transportation and manufacturing costs of many goods across the economy. This is why these prices serve as key economic indicators, and why the ongoing situation in the Middle East has become a growing concern for consumers and investors.

As the conflict enters its second month, with new headlines ranging from proposed peace agreements to possible escalation on a daily basis, oil prices continue to remain high with large intraday swings. Brent crude is now trading above \$110 per barrel and WTI above \$100, meaning that higher energy prices will affect household budgets, inflation metrics, and Federal Reserve decisions. While there could continue to be challenges for consumers, perspective and patience remain essential for long-term investors.

Gasoline Prices Have Risen Sharply

The national average for regular unleaded gasoline has climbed to around \$4.00 per gallon, an increase of more than a dollar per gallon in just a month. While this is still below the record high of \$5.00 per gallon reached in 2022, it could worsen if oil prices remain high. For most households, filling up the car is a non-negotiable cost. While they can try to drive slightly less, higher gasoline prices will directly impact discretionary spending and savings.



Sources: Cleamomics, U.S. EIA. Latest data point is March 30, 2026.

As an example, assuming the average fill-up is 15 gallons, the current increase adds \$15 to each visit to the gas station. For those who fill up once a week, this amounts to roughly \$780 less in their pockets per year. The median American household earns just over \$70,000 per year after taxes, according to the latest Census Bureau statistics, so this is above 1% of their after-tax income. In this sense, higher gasoline prices effectively function as a direct tax on consumers.

From an investment standpoint, the drag on the economy can add up. When multiplied across millions of households filling up week after week, the cumulative impact on consumer spending and savings rates can be meaningful if oil prices stay higher for longer. However, it's the indirect effects that are possibly more meaningful. Gasoline and diesel fuel are basic inputs into nearly everything the economy produces. Transportation, manufacturing, agriculture, and distribution all depend on energy, which means that higher fuel costs raise the price of goods and services across the board. This is why oil price spikes do not simply affect energy bills but can ripple across the economy over time.

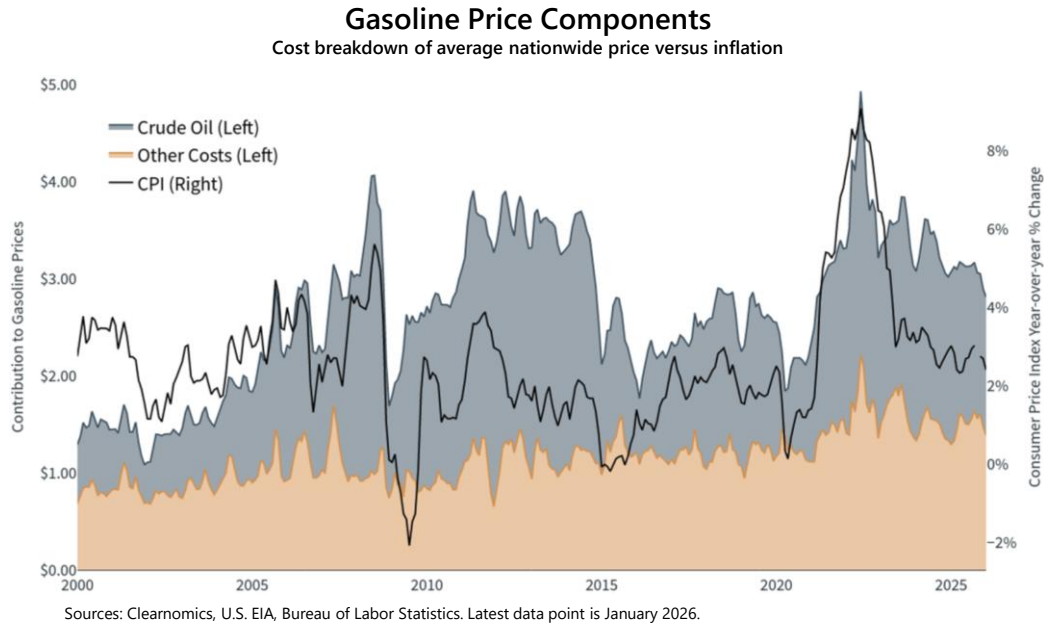
Gasoline Prices Are Not Just About Oil

Understanding what drives gasoline prices can help put the current situation in perspective. According to the U.S. Energy Information

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Agency, roughly half of the price at the pump reflects the cost of crude oil itself. The other half consists of refining costs, transportation and distribution to gas stations, sales and marketing expenses, and federal and state taxes.

These costs are also why Americans in certain states pay considerably more than the national average for gasoline. The accompanying chart, based on the latest available data which does not yet show the latest jump in prices, illustrates how these components have shifted over time.



This relationship is partly why there is not a one-to-one relationship between oil prices and gas prices at the pump. This is also because it takes time for higher market prices, which adjust quickly in the futures market, to affect what consumers experience. The chart also shows the annual change in the overall Consumer Price Index and the clear relationship with oil prices over time.

Higher Energy Prices Complicate the Inflation Picture

Energy prices will impact headline inflation, since these costs are important components of the headline Consumer Price Index. After several years of improving energy CPI readings, the recent jump in oil and gasoline prices will almost certainly push headline inflation higher in the coming months. Organizations such as the OECD now estimate that U.S. inflation could rise faster than expected this year.

This matters for several reasons. First, consumers are still recovering from the inflation surge after the pandemic. Second, both stocks and bonds have historically faced headwinds when inflation rises unexpectedly, as it raises costs for companies and reduces the real value of fixed income payments. Third, and perhaps most immediately relevant for financial markets, rising inflation complicates the Federal Reserve's decision-making. Markets have already shifted their expectations, with traders now assigning a greater probability to the Fed holding rates steady or even raising them rather than cutting. This reversal in expectations has introduced additional uncertainty for both equity and bond markets, especially as the Fed changes leadership in mid-May.

While the situation is challenging for consumers, it is quite different from the 1970s. Specifically, the U.S. is the largest oil and natural gas producer, and the Fed has significantly more credibility in anchoring inflation expectations, making the current economic and financial market situation more stable than in the past. For investors, this means that the best approach continues to be staying invested with a well-constructed portfolio and financial plan. This served investors well during the last inflation spike in 2022 and is still the best way to achieve financial goals.



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