



Philequity Corner (May 16, 2022)
By Wilson Sy

Gasoline and diesel at all-time highs

Aside from high food prices, consumers are most affected by oil prices. Last week, Brent crude oil dropped slightly by US\$ 1.30 to settle at US\$ 111.09 per barrel. Although down from the March highs following Russia’s invasion of Ukraine, oil prices remain above US\$ 100 per barrel. The spike in oil prices impacts net oil-importing countries like the Philippines. Investors watch prices of energy closely since it affects many aspects of the economy, such as GDP, inflation, exchange rate, current account, and balance of payments.

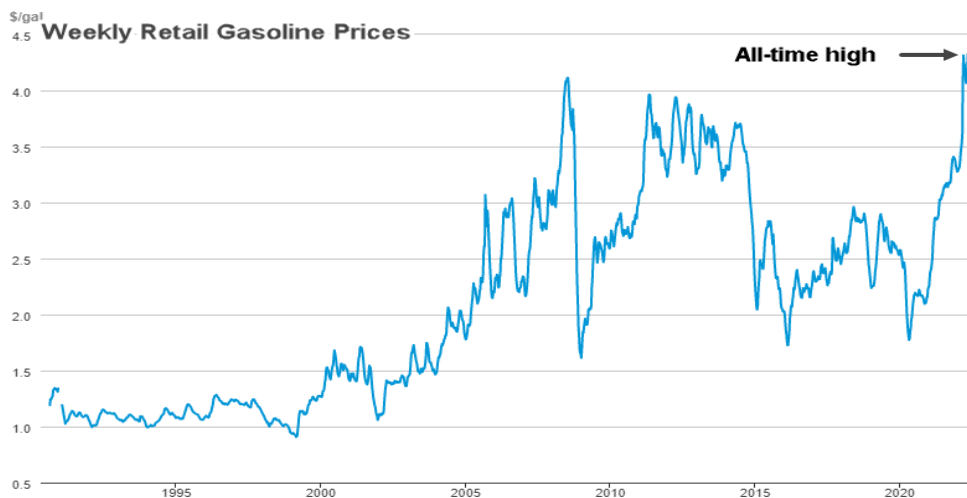
Crude oil elevated despite Saudi price cut

At the start of the week, Brent crude oil fell as much as 10% to US\$ 101 per barrel after Saudi Arabia dropped its prices to Asian buyers for the first time in four months. The Arab Light crude oil was cut by US\$ 5 per barrel amid slowing demand due to the continuing covid-related lockdowns in China. The market remains highly volatile as the European Union (EU) moves closer to a comprehensive oil embargo on Russian oil.

The EU earlier announced a proposal to ban Russian oil imports within six months and refined products by the end of 2022. This uncertainty and low inventory levels worldwide have contributed to Brent crude oil prices remaining above US\$ 100 per barrel.

Gas price hit new high

Gasoline and crude oil have diverged in recent weeks. While crude oil prices have pulled back from multi-year highs, gasoline prices have surged to new highs. US gasoline prices continue their ascent, setting a new record high of US\$ 4.432 per gallon last week, according to AAA. That’s the highest recorded average price for gasoline in the US ever. Last year, US gasoline prices stood at US\$ 3.028 per gallon. This means that gas prices increased 46 percent year-on-year.



Source: Energy Information Agency

Diesel price reaches all-time high

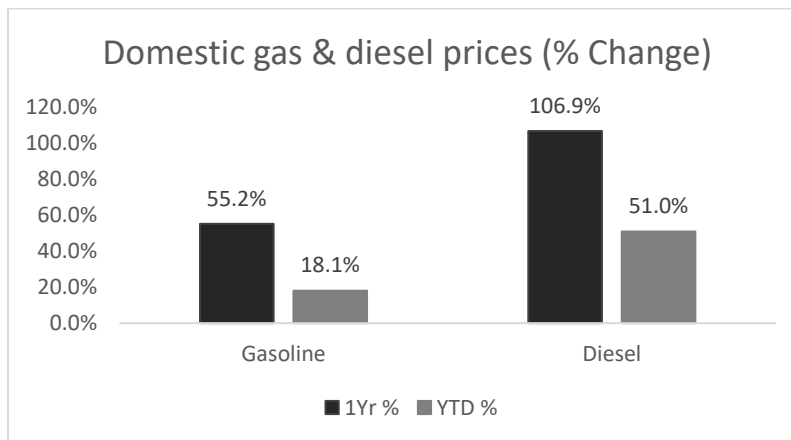
Diesel price has seen a more dramatic jump in cost than regular gas. Last week, it hit an all-time high, reaching US\$ 5.56 per gallon. Diesel is up 77 percent year-on-year compared to the previous year's price of US\$ 3.15 per gallon.



Source: Energy Information Agency

Philippine diesel prices double

According to GlobalPetrolPrices.com, the average gasoline price in the Philippines stood at PHP 74.1 per liter as of May 9, while the average diesel price was PHP 75.10 per liter. Gasoline prices in the Philippines rose 55.2 percent year-on-year compared to the 46 percent increase in the US. On the other hand, diesel prices more than doubled in one year. It climbed 106.9 percent year-on-year compared to the 77 percent gain in the US.



Source: GlobalPetrolPrices.com, Wealth Securities Inc.

Philequity Management is the fund manager of the leading mutual funds in the Philippines. Visit www.philequity.net to learn more about Philequity's managed funds or to view previous articles. For inquiries or to send feedback, please call (02) 8250-8700 or email ask@philequity.net.