# Several factors converge to push gas prices higher

BY DAVID KOENIG
Associated Press

DALLAS — There is little evidence that gasoline prices, which hit a record $5 a gallon on Saturday, June 11, will drop anytime soon.

Rising prices at the pump are a key driver in the highest inflation that Americans have seen in 40 years.

Everyone seems to have a favorite villain for the high cost of filling up.

Some blame President Joe Biden. Others say it's because Russian President Vladimir Putin recklessly invaded Ukraine. It's not hard to find people, including Democrats in Congress, who accuse the oil companies of price gouging.

As with many things in life, the answer is complicated.

### WHAT IS HAPPENING?

Gasoline prices have been surging since April 2020, when the initial shock of the pandemic drove prices under $1.80 a gallon, according to government figures. They hit $3 in May 2021 and cruised past $4 this March.

On Saturday, the nationwide average for a gallon ticked just above $5, a record, according to auto club AAA, which has tracked prices for years. The average price jumped 18 cents in the previous week, and was $1.92 higher than this time last year.

State averages ranged from $6.43 a gallon in California to $4.52 in Mississippi.

### Baker County's average price among Oregon's lowest

As of June 13, **Baker County's** average gas price of $5.32 per gallon for regular unleaded was tied with **Umatilla County** for the second-lowest among Oregon's 36 counties.

The lowest average was in **Malheur County**, at $5.18.

Baker County was one of seven Oregon counties with an average price below $5.42.

**Oregon's overall average** was $5.53.

**Curry County,** at the state's southwest corner, had the highest average, at $5.72.

Average prices for other counties adjoining Baker:

- **Union:** $5.45
- **Grant:** $5.61
- **Wallowa:** $5.59


Samantha O'Conner/Baker City Herald

**Gas prices at the Baker City Maverik station on Monday, June 13, 2022.**

### WHY IS THIS HAPPENING?

Several factors are coming together to push gasoline prices higher.

Global oil prices have been rising — unevenly, but sharply overall — since December. The price of international crude has roughly doubled in that time, with the U.S. benchmark rising nearly as much, closing Friday at more than $120 a barrel.

Russia's invasion of Ukraine and the resulting sanctions by the United States and its allies have contributed to the rise. Russia is a leading oil producer.

The United States is the world's largest oil producer, but U.S. capacity to turn oil into gasoline is down 900,000 barrels of oil per day since the end of 2019, according to the Energy Department.

Tighter oil and gasoline supplies are hitting as energy consumption rises because of the economic recovery.

Finally, Americans typically drive more starting around Memorial Day, adding to the demand for gasoline.

### WHAT CAN BE DONE TO GET MORE OIL?

Analysts say there are no quick fixes; it's a matter of supply and demand, and supply can't be ramped up overnight.

If anything, the global oil supply will grow tighter as sanctions against Russia take hold. European Union leaders have vowed to ban most Russian oil by the end of this year.

The U.S. has already imposed a ban even as Biden acknowledged it would affect American consumers. He said the ban was necessary so that the U.S. does not subsidize Russia's war in Ukraine. "Defending freedom is going to cost," he declared.

The U.S. could ask Saudi Arabia, Venezuela or Iran to help pick up the slack for the expected drop in Russian oil production, but each of those options carries its own moral and political calculations.

Republicans have called on Biden to help increase domestic oil production — for example, by allowing drilling on more federal lands and offshore, or reversing his decision to revoke a permit for a pipeline that could carry Canadian oil to Gulf Coast refineries.

However, many Democrats and environmentalists would howl if Biden took those steps, which they say would undercut efforts to limit climate change. Even if Biden ignored a big faction of his own party, it would be months or years before those measures could lead to more gasoline at U.S. service stations.

At the end of March, Biden announced another tapping of the nation's Strategic Petroleum Reserve to bring down gasoline prices. The average price per gallon has jumped 77 cents since then, which analysts say is partly because of a refining squeeze.

### WHY IS U.S. REFINING DOWN?

Some refineries that produce gasoline, jet fuel, diesel and other petroleum products shut down during the first year of the pandemic, when demand collapsed. While a few are expected to boost capacity in the next year or so, others are reluctant to invest in new facilities because the transition to electric vehicles will reduce demand for gasoline over the long run.

The owner of one of the nation's largest refineries, in Houston, announced in April that it will close the facility by the end of next year.

### WHO IS HURTING?

Higher energy prices hit lower-income families the hardest. Workers in retail and the fast-food industry can't work from home — they must commute by car or public transportation.

The National Energy Assistance Directors Association estimates that the 20% of families with the lowest income could be spending 38% of their income on energy including gasoline this year, up from 27% in 2020.

### WHEN WILL IT END?

It could be up to motorists themselves — by driving less, they would reduce demand and put downward pressure on prices.

"There has got to be some point where people start cutting back, I just don't know what the magic point is," said Patrick De Haan, an analyst for the gas-shopping app GasBuddy. "Is it going to be $5? Is it going to be $6, or $7? That's the million-dollar question that nobody knows."

### HOW ARE DRIVERS COPING?

On Saturday morning, June 11 at a BP station in Brooklyn, New York, computer worker Nick Schaffzin blamed Putin for the $5.45 per gallon he was shelling out and said he will make sacrifices to pay the price.

"You just cut back on some other things — vacations, discretionary stuff, stuff that's nice to have but you don't need," he said. "Gas you need."

At the same station, George Chen said he will have to raise the prices he charges his customers for film production to cover the gas he burns driving around New York City. He acknowledged that others aren't so fortunate.

"It's going to be painful for people who don't get pay increases right away," he said. "I can only imagine the families who can't afford it."

# Stock declines signal a bear market; here's what that means

BY STAN CHOE AND ALEX VEIGA
AP Business Writers

NEW YORK — Wall Street is opening the week with more losses, and the S&P 500 has fallen to a level that market observers consider to be a bear market.

Rising interest rates, high inflation, the war in Ukraine and a slowdown in China's economy have led investors to reconsider what they're willing to pay for a wide range of stocks, from high-flying tech companies to traditional automakers. Big swings have become commonplace and Monday appears to be no exception.

The last bear market happened just two years ago, but this would still be a first for those investors that got their start trading on their phones during the pandemic. Thanks in large part to extraordinary actions by the Federal Reserve, stocks have for years seemed to go largely in only one direction: up. The "buy the dip" rallying cry after every market slide has grown more faint after stinging losses and severe plunges in risky assets like cryptocurrencies. Bitcoin tumbled another 12% and fell below $24,000 early Monday. The price for Bitcoin neared $68,000 late last year.

Here are some common questions asked about bear markets:

### WHY IS IT CALLED A BEAR MARKET?

A bear market is a term used by Wall Street when an index like the S&P 500, the Dow Jones Industrial Average, or even an individual stock, has fallen 20% or more from a recent high for a sustained period of time.

Why use a bear to represent a market slump? Bears hibernate, so bears represent a market that's retreating, said Sam Stovall, chief investment strategist at CFRA. In contrast, Wall Street's nickname for a surging stock market is a bull market, because bulls charge, Stovall said.

The S&P 500, Wall Street's main barometer of health, slid more than 2.6% in early trading Monday to 3,800. That's nearly 21% below the high set on Jan. 3. The Nasdaq is already in a bear market, down 31.5% from its peak of 16,057.44 on Nov. 19. The Dow Jones Industrial Average is more than 16% below its most-recent peak.

The most recent bear market for the S&P 500 ran from February 19, 2020 through March 23, 2020. The index fell 34% in that one-month period. It's the shortest bear market ever.

### WHAT'S BOTHERING INVESTORS?

Market enemy No. 1 is interest rates, which are rising quickly as a result of the high inflation battering the economy. Low rates act like steroids for stocks and other investments, and Wall Street is now going through withdrawal.

The Federal Reserve has made an aggressive pivot away from propping up financial markets and the economy with record-low rates and is focused on fighting inflation. The central bank has already raised its key short-term interest rate from its record low near zero, which had encouraged investors to move their money into riskier assets like stocks or cryptocurrencies to get better returns.

Last month, the Fed signaled additional rate increases of double the usual amount are likely in upcoming months. Consumer prices are at the highest level in four decades, and rose 8.6% in May compared with a year ago.

The moves by design will slow the economy by making it more expensive to borrow. The risk is the Fed could cause a recession if it raises rates too high or too quickly.

Russia's war in Ukraine has also put upward pressure on inflation by pushing up commodities prices. And worries about China's economy, the world's second largest, have added to the gloom.

### SO, WE JUST NEED TO AVOID A RECESSION?

Even if the Fed can pull off the delicate task of tamping down inflation without triggering a downturn, higher interest rates still put downward pressure on stocks.

If customers are paying more to borrow money, they can't buy as much stuff, so less revenue flows to a company's bottom line. Stocks tend to track profits over time. Higher rates also make investors less willing to pay elevated prices for stocks, which are riskier than bonds, when bonds are suddenly paying more in interest thanks to the Fed.

Critics said the overall stock market came into the year looking pricey versus history. Big technology stocks and other winners of the pandemic were seen as the most expensive, and those stocks have been the most punished as rates have risen. But the pain is spreading widely, with retailers signaling a shift in consumer behavior.

Stocks have declined almost 35% on average when a bear market coincides with a recession, compared with a nearly 24% drop when the economy avoids a recession, according to Ryan Detrick, chief market strategist at LPL Financial.

### SO I SHOULD SELL EVERYTHING NOW, RIGHT?

If you need the money now or want to lock in the losses, yes. Otherwise, many advisers suggest riding through the ups and downs while remembering the swings are the price of admission for the stronger returns that stocks have provided over the long term.

While dumping stocks would stop the bleeding, it would also prevent any potential gains.

### HOW DO WE KNOW WHEN A BEAR MARKET HAS ENDED?

Generally, investors look for a 20% gain from a low point as well as sustained gains over at least a six-month period. It took less than three weeks for stocks to rise 20% from their low in March 2020.