



Oil Prices

May 28, 2026

The largest single cost on an airline's list of expenses—roughly 30% on average—is jet fuel—a refined kerosene-based oil product that has doubled in price since the war in Iran began in late February. The Strait of Hormuz accounts for about 40% of Europe's jet fuel imports and has been completely choked off for multiple weeks now. Higher prices and shortages have had an outsized impact on airline balance sheets.

The shortages are most worrisome at present. In Europe, several countries are now relying on less than 20 days of coverage in their fuel supplies, according to the International Energy Agency. What happens after that is anyone's guess, but the most likely outcome is reduced access to air travel.

The United States has recently offered a six-fold increase in its exports of jet fuel to Europe—which, of course, raises prices domestically. The price of jet fuel has more than doubled since the end of February. To compensate, U.S. based airlines are reducing scheduling flexibility and experiencing more schedule volatility, with fewer low-fare options. To make up some of the added costs, Delta, United, American Airlines, Southwest Airlines and JetBlue have recently increased checked baggage fees.

But that will hardly make up the difference. United's CEO Scott Kirby estimates that, if fuel prices remain elevated, it will add \$11 billion in annual costs to the company's balance sheet. To put that in perspective, United's most profitable year netted a total of roughly \$5 billion. American Airlines has estimated that the soaring jet fuel costs will cost it \$4 billion this year. It was forecasting a \$1.8 billion profit before the bombing started.

The only solution, according to outside analysts, is higher fares, either directly or in the form of attached fuel supplements to fares. This is already happening. According to the Kayak travel site, "With oil prices continuing to fluctuate, I wanted to reach out with some information on what's driving the changes and why these fluctuations seem to affect so many areas of everyday life beyond the gas pump."

The current volatility largely stems from the war between the United States and Iran that began on February 28, 2026. Since oil is traded in a global market, geopolitical uncertainty can quickly ripple through economies worldwide. Below are some key areas to be aware of.

1. Concerns About Global Supply Disruptions

One of the biggest issues surrounding oil right now is the uncertainty regarding the Strait of Hormuz, a narrow shipping route that handles a significant share of the world's oil transportation. When conflict or instability is present in the region, it can become difficult to transport oil reliably through the Strait of Hormuz, causing markets to respond negatively to such instability.

Even the possibility of delays or reduced supply can push prices higher as buyers and investors react to uncertainty.

2. Oil Markets Respond To Expectations, Not Just Current Supply

Oil prices move for a few reasons, including what's happening today and what markets believe could happen next. For example, when investors believe supply conditions may stabilize, prices may decline, and when concerns about disruptions grow, prices may move higher. That uncertainty can lead to rapid swings in pricing, even if actual supply hasn't changed much yet.

In fact, we saw this near the beginning of the conflict, when prices rose sharply because markets reacted to expectations about what could happen next rather than to immediate shortages.

3. Oil Is a Global Commodity

Even though the United States produces a large amount of oil domestically, prices here are still influenced by what happens around the world. That's because oil is traded globally, meaning supply disruptions in one region can affect pricing everywhere.

In other words, oil prices are driven not just by how much oil the U.S. produces but by how stable the broader global supply picture appears to be.

4. Higher Oil Prices Affect More Than Gasoline

When most people think about rising oil prices, they immediately think about higher prices at the pump. While an increase in the price of gasoline is often the most noticeable effect, oil plays a much larger role in the economy than many people realize.

Oil and petroleum-based products are used in transportation, manufacturing, packaging, farming, and shipping, which means price increases can ripple through many parts of everyday life.

Some areas commonly affected include, but are not limited to:

- Airfare and travel costs
- Shipping and delivery expenses
- Groceries and food production

- Plastics and packaging
- Clothing made with synthetic materials
- Home heating and utilities
- Manufacturing and construction materials

Over time, businesses often pass at least a portion of those added expenses along to consumers. That's one reason oil prices are watched so closely by economists and financial markets: Their impact tends to extend well beyond the energy sector itself.

5. Inflation and Economic Growth Can Also Be Affected

Persistent increases in oil prices can contribute to broader inflation because energy plays such a central role in the economy. Higher fuel and transportation costs can increase operating expenses for businesses and reduce consumers' purchasing power, meaning their dollars may not stretch as far as they once did.

While headlines surrounding oil and global conflict can feel unsettling, it's important to remember that markets have historically navigated periods of uncertainty before. Staying focused on long-term financial goals rather than reacting to short-term volatility remains an important principle of investing.

In the meantime, know that I'm continuing to monitor market and economic developments closely and will keep you informed as things evolve.

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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