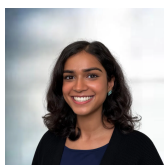


First to Market

September 22, 2026

## WE'RE ABOUT TO ENTER THE ERA OF \$7 DIESEL

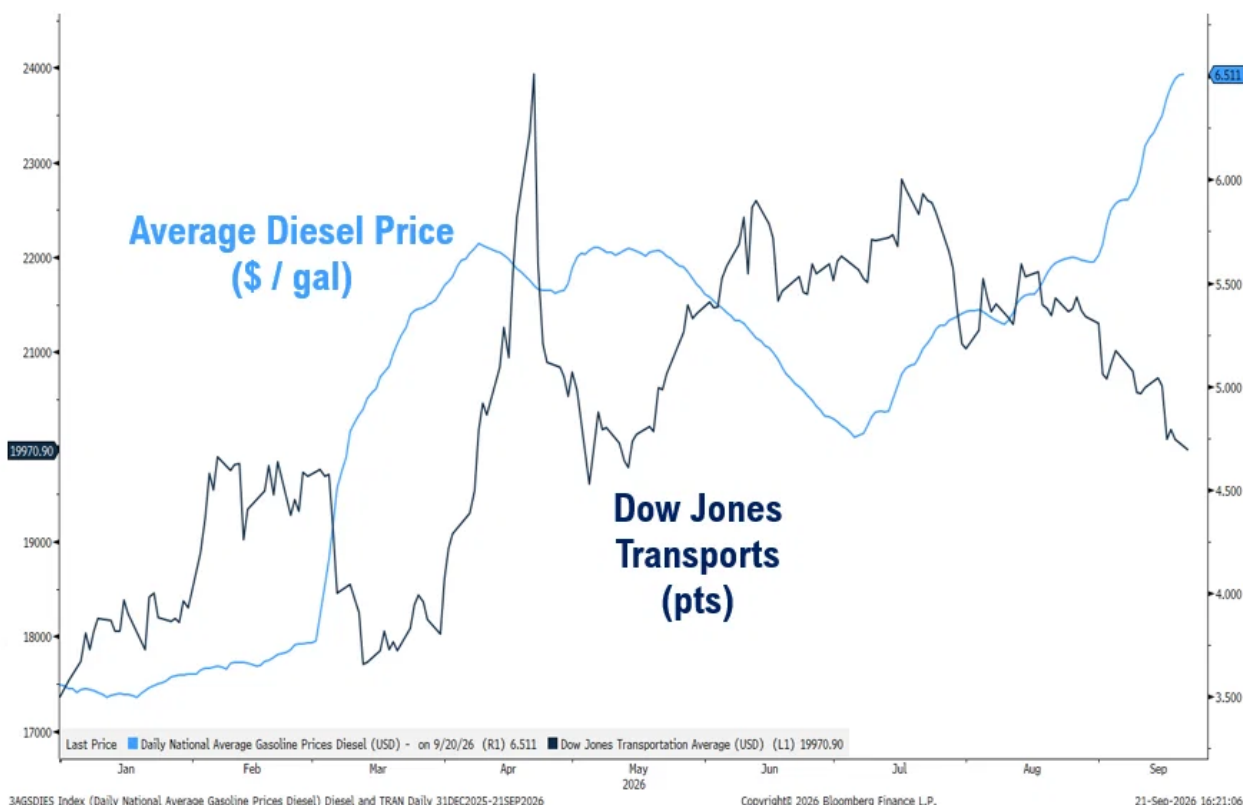


**Hardika Singh**

ECONOMIC STRATEGIST, MARKET INTELLIGENCE

### Chart of the Day

**Diesel vs Dow Jones Transportation Average**  
YTD



Source: Fundstrat, Bloomberg

For Exclusive Use of Fundstrat Clients Only

fundstrat

**Good morning!**

Diesel prices have shot up to records, leaving the economy and stock market vulnerable to unraveling.

Thanks to the wars in Iran and Russia, U.S. average retail diesel prices notched another record on Monday, crossing \$6.51 a gallon. The increase far surpasses highs of \$5.81 seen during 2022's summer of energy chaos. Gasoline prices, meanwhile, have climbed to \$4.48 a gallon, admittedly uncomfortable but still well below the June 2026 record of \$5.02. It's typical to see diesel prices rise faster than gasoline, as refineries operate on tight margins, so there's not as much room for things to go wrong with the supply.

Diesel prices filter into every aspect of the economy, from the trucks and ships transporting goods to manufacturing, farming, and construction equipment. That's why when diesel prices jump, the fear becomes that businesses across the country will respond by passing down the cost increases to consumers.

And if recent announcements from companies are any guide, indeed it seems like a matter of when, not if, the higher prices become the already-strained consumer's burden. J.B. Hunt finance chief Brad Delco warned at an industry conference that earnings for the trucking company could drop between 5-10% from the second quarter to the third quarter because of the swings in fuel prices. Norfolk Southern's chief commercial officer Claude Elkins said that the \$8 diesel prices in California are like "science fiction." He added that, "Ultimately, over some period of time, that's going to be a drag on the consumer out there." J.B. Hunt \$JBHT shares are up 20% this year, while Norfolk Southern has \$NSC added 7.4%.

The Dow Jones Transportation Average, an index of 20 companies in everything transport-related from airlines to railroads, has also had its strength chipped away by higher energy prices. Though the index is still up 13.9% for the year and outperforming the S&P 500's 13.2% advance, it's off 17% from its all-time highs seen in April. Its most recent leg lower that began in late July directly coincides with higher diesel prices.

For companies in the S&P 500, too, the impact is clear. The number of earnings calls citing “diesel” over the past two quarters was 89, marking the highest level noted over two consecutive quarters since the third quarter of 2008.

But I believe the pain faced by transportation companies won’t be so easily transferred to consumers.

For starters, the volatility seen in diesel prices is just one component of what goes into determining shipping and transportation costs via the fuel surcharge. There’s also a base shipping rate and a whole bunch of other things like last-mile delivery, which can help add a beat before companies respond by increasing prices.

Carriers sometimes also choose to absorb some of the price increases, but after a point, it makes more sense for it to be passed down to consumers. In order for that to happen, however, diesel prices would have to remain high for longer because companies have already raised prices earlier in the year in response to earlier fuel-cost increases.

The psychology of inflation also has a part to play, which is something we’ve been talking about for a while here at Fundstrat. In the beginning of the summer, there was hope that the war would come to an end soon because the administration seemed determined to find a long-term path to peace. That hope has become less evident lately. Because it doesn’t seem like the war is wrapping up this year, prices are likely not coming down, so businesses might be inclined to raise prices. Consumers, on the other hand, might expect that move from businesses, so many can be expected to increase their spending ahead of the price increases. As you may have guessed, this would further fuel inflation. I get it. I, too, would rather get a good deal now rather than risk buying the same item at a higher price.

This is where the Federal Reserve’s interest rate hike might actually help, as counterintuitive as it sounds. While the most recent hike will contribute toward raising borrowing rates across the economy and thus add pressure on consumers, this pain is necessary to curtail any spending fire left in the consumers, which can hopefully prevent diesel prices from running up even higher.

As Fed Chair Kevin Warsh noted at the last presser, he wants to avoid the second- and third-order effects from higher prices. He also said “the least well off have the most to benefit from stable prices.” He should have added that they suffer the most, too, when the central bank tries to pursue stable prices.

## Share your thoughts

---

Do you think these higher diesel prices mean we're about to see another wave of inflation? Click [here](#) to send us your response.

## Here's what a reader commented

---

**Q:** Do you agree with Anthropic's Dario Amodei and the others urging caution?

**A:** Having worked on "bleeding-edge" computer systems for more than 50 years, including early attempts at AI, I know new technology is typically overhyped in the near term yet underestimated in its long-term impact and value. While declaring mankind's impending destruction wasn't a good way to start the discussion, we should all pay close attention to Amodei et al.'s cautions. Self-defining and ultimately self-enhancing software capabilities are being developed at the center of the perfect storm, with vast amounts of digital data, computing capacity, communication bandwidth, electrical power, economic resources, and human talent, coupled with geopolitical tensions - what could go wrong? Individuals, businesses, and governments all need to work proactively together to keep this important development on the right track.

## Catch up with Fundstrat

---

We reached max pain last week, in oil, Fed and sentiment. This is why we believe markets can sustain a substantial rally towards S&P 500 7,900-8,000. We continue to recommend investors add crypto exposure as Ethereum is now outperforming by 7,470bp QTD, continuing to strengthen into month-end and likely into year-end.

## Technical

---

Macro remains more headwind than tailwind: the US dollar and Treasury yields look capable of drifting higher into the midterms following last week's hawkish FOMC and the BOJ's dissent-laden hike, while crude's slide still looks like a short-term correction.

## Crypto

---

BTC has now confirmed a breakout above the 50-week MA, a level that has historically served as an important marker for longer-term trend changes. We have the first weekly close above the level plus multiple consecutive daily closes, which I think is enough to treat the breakout as real.

## News We're Following

---

### *Breaking News*

- Stocks had a great day on the surface. But something alarming occurred not seen since 1999 CNBC

### *Markets and economy*

- Trump, Xi seek trade stability and deals, but AI, tariffs and Iran loom large. What to watch CNBC
- Why Japan's markets matter so much for America CNN
- Bitcoin hits an 8-month high — and sends a clear message about risk appetite right now MW
- The Office Bust Is Shifting From Empty Towers to Investor Losses BBG

### *Business*

- A Rocket Supply Crunch Is Making It Harder to Hitch a Ride to Space WSJ
- How David Ellison Ended His Stalemate With California WSJ

**Politics/U.S.**

- Bill Pulte Scrutinized Mortgages of Trump's Political Rivals—and Todd Blanche WSJ
- Trump and Mamdani Maintain Their Rapport—Even When They Disagree WSJ
- Trump to press Zelenskyy for energy truce, says Russia has 'lost control' of oil due to Ukraine war CNBC

**Overseas**

- In the Baltics, NATO Forces Are Trying to Learn the New Way of War WSJ
- Saudi Arabia Spent Months Trying to Bypass Hormuz. Now There's No Way Around It. WSJ
- U.S. strikes Greenland deal for 'permanent control over security,' will send forces to Danish dogsled outpost and reopen Cold War base: Report CNBC

**Of Interest**

- Taylor Frankie Paul Won't Return to 'The Secret Lives of Mormon Wives' NYT

**Overnight**

|                  |                          |
|------------------|--------------------------|
| S&P Futures      | -4 ▼ point(s) (-0.06% ▼) |
| overnight range: | -23 ▼ to +6 ▲ point(s)   |

**APAC**

|              |          |
|--------------|----------|
| Nikkei       | +1.38% ▲ |
| Topix        | -0.07% ▼ |
| China SHCOMP | +0.06% ▲ |
| Hang Seng    | +0.18% ▲ |
| Korea        | +0.15% ▲ |
| Singapore    | +0.86% ▲ |
| Australia    | +0.30% ▲ |
| India        | -0.26% ▼ |

|        |          |
|--------|----------|
| Taiwan | +0.17% ▲ |
|--------|----------|

## Europe

|       |              |
|-------|--------------|
| Stoxx | 50 +0.15% ▲  |
| Stoxx | 600 +0.23% ▲ |
| FTSE  | 100 +0.07% ▲ |
| DAX   | +0.15% ▲     |
| CAC   | 40 +0.19% ▲  |
| Italy | -0.39% ▼     |
| IBEX  | +0.44% ▲     |

## FX

|                    |                    |
|--------------------|--------------------|
| Dollar Index (DXY) | -0.01% ▼ to 100.42 |
| EUR/USD            | -0.03% ▼ to 1.1461 |
| GBP/USD            | -0.04% ▼ to 1.3361 |
| USD/JPY            | +0.20% ▲ to 157.04 |
| USD/CNY            | -0.07% ▼ to 6.6997 |
| USD/CNH            | -0.10% ▼ to 6.6998 |
| USD/CHF            | +0.26% ▲ to 0.8191 |
| USD/CAD            | +0.01% ▲ to 1.4034 |
| AUD/USD            | -0.07% ▼ to 0.7113 |

## UST Term Structure

|                        |                      |
|------------------------|----------------------|
| 2Y-3M Spread narrowed  | -5.7bps ▼ to 60.3bps |
| 10Y-2Y Spread widened  | 0.9bps to 20.9bps    |
| 30Y-10Y Spread widened | 0.2bps to 33.2bps    |

## USD HY OaS

|                       |                       |
|-----------------------|-----------------------|
| All Sectors           | -2.7bps ▼ to 299bps   |
| All Sectors ex-Energy | -1.5bps ▼ 281bps      |
| Cons Disc             | -1.9bps ▼ to 494bps   |
| Indu                  | -0.4bps ▼ to 239bps   |
| Tech                  | +2.9bps ▲ to 189bps   |
| Comm Svcs             | -3.3bps ▼ to 281bps   |
| Materials             | -0.2bps ▼ to 244bps   |
| Energy                | -1.6bps ▼ to 249bps   |
| Fin Snr               | -2.4bps ▼ to 185bps   |
| Fin Sub               | -2.9bps ▼ to 252bps   |
| Cons Staples          | -1.2bps ▼ to 404bps   |
| Healthcare            | -1.7bps ▼ to 300bps   |
| Utes                  | -2.1bps ▼ to 207bps * |

| DATE |          |                          | TIME   | DESCRIPTION | ESTIMATE | LAST |
|------|----------|--------------------------|--------|-------------|----------|------|
| 9/23 | 9:45 AM  | Sep P S&P Svcs PMI       | 55.9   | 56.5        |          |      |
| 9/23 | 9:45 AM  | Sep P S&P Manu PMI       | 53.7   | 53.9        |          |      |
| 9/24 | 10:00 AM | Aug New Home Sales       | 616.11 | 607         |          |      |
| 9/24 | 10:00 AM | Aug New Home Sales m/m   | 1.3    | -10.5       |          |      |
| 9/25 | 8:30 AM  | Aug P Durable Gds Orders | -0.3   | 1.1         |          |      |
| 9/25 | 10:00 AM | Sep F UMich 1yr Inf Exp  | n/a    | 4.6         |          |      |
| 9/25 | 10:00 AM | Sep F UMich Sentiment    | 47.5   | 47.8        |          |      |

---

## Disclosures

---

This research is for the clients of Fundstrat Global Advisors only. For additional information, please contact your sales representative or Fundstrat Global Advisors at 150 East 52nd Street, New York, NY, 10022 USA.

### Conflicts of Interest

This research contains the views, opinions and recommendations of Fundstrat. At the time of publication of this report, Fundstrat does not know of, or have reason to know of any material conflicts of interest.

### General Disclosures

Fundstrat Global Advisors is an independent research company and is not a registered investment advisor and is not acting as a broker-dealer under any federal or state securities laws.

Fundstrat Global Advisors is a member of IRC Securities' Research Prime Services Platform. IRC Securities is a FINRA registered broker-dealer that is focused on supporting the independent research industry. Certain personnel of Fundstrat (i.e., Research Analysts) are registered representatives of IRC Securities, a FINRA member firm registered as a broker-dealer with the Securities and Exchange Commission and certain state securities regulators. As registered representatives and independent contractors of IRC Securities, such personnel may receive commissions paid to or shared with IRC Securities for transactions placed by Fundstrat clients directly with IRC Securities or with securities firms that may share commissions with IRC Securities in accordance with applicable SEC and FINRA requirements. IRC Securities does not distribute the research of Fundstrat, which is available to select institutional clients that have engaged Fundstrat.

As registered representatives of IRC Securities, our analysts must follow IRC Securities' Written Supervisory Procedures. Notable compliance policies include (1) prohibition of insider trading or the facilitation thereof, (2) maintaining client confidentiality, (3) archival of electronic communications, and (4) appropriate use of electronic communications, amongst other compliance related policies.

Fundstrat does not have the same conflicts that traditional sell-side research organizations have because Fundstrat (1) does not conduct any investment banking activities, (2) does not manage any investment funds, and (3) our clients are only institutional investors.

This research is for the clients of Fundstrat Global Advisors only. Additional information is available upon request. Information has been obtained from sources believed to be reliable, but Fundstrat Global Advisors does not warrant its completeness or accuracy except with respect to any disclosures relative to Fundstrat and the analyst's involvement (if any) with any of the subject companies of the research. All pricing is as of the market close for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client

circumstances, risk tolerance, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies.

The recipient of this report must make its own independent decision regarding any securities or financial instruments mentioned herein.

Except in circumstances where Fundstrat expressly agrees otherwise in writing, Fundstrat is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice, including within the meaning of Section 15B of the Securities Exchange Act of 1934. All research reports are disseminated and available to all clients simultaneously through electronic publication to our internal client website, fundstrat.com. Not all research content is redistributed to our clients or made available to third-party aggregators or the media. Please contact your sales representative if you would like to receive any of our research publications.

**Copyright 2026 Fundstrat Global Advisors LLC. All rights reserved. No part of this material may be reprinted, sold or redistributed without the prior written consent of Fundstrat Global Advisors LLC.**