

Key Takeaways:

- Diesel prices have increased more than gasoline prices.
- Diesel powers nearly every aspect of the economy.
- Inflation is the most important risk.
- Regulation proposed could have the opposite effect.
- Need to see the Strait of Hormuz open to move diesel before seeing price relief.

Why Diesel Prices Matter?

Most of the attention on rising fuel costs due to the Iran war has been centered around gasoline prices. However, we should not ignore diesel prices as the daily national average of a gallon of diesel has increased more than regular gasoline since the war started. Diesel gases are hovering at a record high (\$6.53/gallon) and have increased over 70% since the end of February, compared to the ~50% increase in gasoline prices. Before the Iran war, the Gulf and Russia made up ~45% of the world's seaborne diesel trade, according to the International Energy Agency (IEA). In August, the IEA reported that Gulf diesel exports had fallen to just over a quarter of pre-war levels and Russia's exports have been at a near standstill as refineries have been targeted by Ukraine. In this Weekly Insights, we look at why diesel matters, how higher prices impact the economy, and what policymakers have proposed to bring prices down.

- **Why does diesel matter?** Diesel powers nearly every aspect of the global economy. It powers things like trucks, machinery, rail, farm equipment and some cargo ships. The American Trucking Agency has reported that trucks and freight rail

which runs primarily on diesel move ~80% of the U.S. freight tonnage.¹ In addition, the American Farm Bureau Federation expects farm fuel expenses (which include diesel) to hit a record \$22 billion this year.

- **How this impacts the economy.** Since diesel is important to the movement and production of so many items, higher prices are inflationary. How much businesses can pass onto consumers and how much they can absorb depends on margins. Some of the primary businesses that rely on diesel (e.g., truckers, farmers, manufacturers) already have thin margins so they have little ability to absorb the higher prices. They either cut production (less crop growing) which shrinks supply or pass it onto consumers. Both options are inflationary.
- **What policymakers have proposed.** The most talked about proposal has been to limit or even eliminate diesel exports for a specified time or until the price falls to a predetermined level. However, this could actually have the opposite effect and raise other

fuel costs. A barrel of crude oil is refined to produce diesel, gas and jet fuel. If refiners do not export diesel they refine fewer barrels of crude oil because they don't have space to store diesel. In addition, most of the diesel sits in the Gulf and pipelines to the east coast are near capacity and regulations limit shipping between U.S. ports. This is a refinery and capacity problem, not a production problem.

The Bottom Line:

In our opinion, the current proposal is unlikely to bring prices down. Diesel is priced in the global market and keeping U.S. barrels at home forces refiners to cut output, pushes gas prices higher and can strain relationships with key trading partners who rely on U.S. fuel. The only way to truly get prices down is to restore shipping through the Strait of Hormuz so we can move diesel. Until that happens, diesel prices are an inflation and margin risk for businesses. We will continue to watch refinery output and freight costs to see how long this can be an inflation and economic problem.

Weekly Economic Recap –

Solid Economic Data as we Approach the End of 3Q26

The S&P Global Flash PMI showed that manufacturing and service activity surged in September. The composite index has increased for four consecutive months and both underlying components (i.e., manufacturing and services) jumped to the highest level on record (records began 2023).

The final reading on building permits for August showed that permits fell slightly less than originally reported (-2.1% vs -2.7%). Both permits for single family and multifamily homes declined for the month.

New home sales rose much more than expected in August (+6.4% MoM vs. 1.3% MoM est.) At a 684K annual pace, new home sales are rising at the fastest pace this year. The sales were strongest in the midwest and south as both the northeast and west saw sales decline. Due to the strength in sales, the months' supply of new homes dipped to the lowest level since December 2025.

The preliminary reading on August durable goods orders showed orders were flat for the month. A steep decline in nondefense aircraft overshadowed strength in electrical equipment, machinery and metals. The core reading (goods orders nondefense and excluding aircraft) rose much more than expected (+1.6% MoM vs. 0.6% est.).

Key Takeaways:

- Flash PMIs jump at a record pace.
- New home sales strongest seen this year.
- Core durable goods orders surging.
- Global equities rally on economic and tech optimism.
- Bonds fall on strong economic data.
- Commodities dragged lower by precious metals and grains.

Weekly Market Recap –

Global Equities Rise on Better Economic Data; Tech Rotation

Equities: The MSCI AC World Index rose the most in seven weeks as strong U.S. economic data and positive tech news fueled risk appetite. The U.S., as measured by the S&P 500, outperformed all the major regions with the exception of the emerging markets. EM, specifically Asia ex Japan, also benefited from the rotation back to technology. Small and midcap U.S. stocks and value underperformed large caps and growth stocks.

Fixed Income: The Bloomberg Aggregate Index fell for the fourth consecutive week as strong economic data pushed long term rates higher. The 30YR U.S. Treasury posted its worst one week decline in four months. Municipals were the second worst performing sector as Treasury yields remained volatile and technicals remain weak.

Commodities/FX: The Bloomberg Commodity Index fell for the first time in three weeks as gold prices were hampered by strong economic data and competition from Treasury yields. Grains, specifically wheat, were also weaker on disappointing export demand.

Global PMIs Rise to Best on Record



Footnotes: Data is as of September 2026.
Data Source: Bloomberg Finance LP, Verdenance Capital Advisors.

Global Equities Rally as Investors Rotate Back to Technology

U.S. Equities		Current	1WK	1MO	3MO	1YR	YTD
	Dow Jones Industrial Average	51,829	0.3%	-3.1%	0.2%	14.6%	9.1%
	S&P 500	7,743	1.2%	1.0%	5.5%	18.6%	14.1%
	Russell 1000 Growth	5,084	2.4%	3.7%	7.1%	9.7%	7.2%
	Russell 1000 Value	2,479	0.0%	-2.1%	3.5%	27.3%	21.2%
	Russell 2500	5,015	-0.5%	-5.0%	-4.7%	20.5%	16.6%
	Russell 2000	2,838	-0.8%	-5.6%	-5.3%	19.3%	15.5%
	Nasdaq	27,069	2.1%	3.6%	6.9%	21.7%	17.0%
International Equities		Current	1WK	1MO	3MO	1YR	YTD
	MSCI AC World (USD)	1,148	1.0%	0.0%	3.9%	19.5%	14.3%
	MSCI EAFE (USD)	3,149	0.2%	-3.2%	1.6%	18.3%	10.9%
	MSCI Europe ex UK (USD)	3,412	0.3%	-5.0%	-0.5%	15.2%	6.6%
	MSCI Japan (USD)	5,810	1.1%	2.4%	3.8%	26.8%	22.2%
	MSCI UK (USD)	1,683	-0.6%	-4.5%	2.8%	19.3%	9.0%
	MSCI EM (USD)	1,732	1.3%	1.8%	-0.8%	31.4%	25.2%
	MSCI Asia ex Japan (USD)	1,150	1.6%	2.4%	-1.0%	33.0%	27.6%
Fixed Income		Current Yield	1WK	1MO	3MO	1YR	YTD
	U.S. Aggregate	5.5%	-0.8%	-2.6%	-3.1%	-1.0%	-2.3%
	U.S. Govt/Credit	5.4%	-0.8%	-2.4%	-3.0%	-1.2%	-2.3%
	U.S. 10 Year Treasury	5.2%	-1.1%	-3.7%	-4.6%	-3.2%	-4.5%
	U.S. TIPS (1-10YR)	5.1%	-0.4%	-2.4%	-1.9%	-0.3%	-0.7%
	U.S. High Yield	8.1%	-0.9%	-1.9%	-1.0%	2.3%	0.8%
	EM Bonds (USD)	6.7%	-1.0%	-2.3%	-2.7%	1.5%	-0.7%
	Municipal Bonds	4.7%	-1.8%	-4.3%	-5.6%	-2.1%	-3.6%
Commodities		Current	1WK	1MO	3MO	1YR	YTD
	Bloomberg Commodity Index	373	-0.7%	4.6%	17.4%	43.4%	35.2%
	Crude Oil (USD/bbl)	\$104.3	0.5%	15.7%	29.1%	34.9%	43.5%
	Gold (\$/oz)	\$4,284.8	-2.1%	-8.0%	6.4%	14.3%	-0.8%
	Copper	\$14,622.5	0.7%	1.9%	10.2%	42.5%	17.7%
	Wheat	\$236.8	-2.0%	0.0%	11.5%	10.4%	18.1%
	U.S. Dollar	101	0.7%	2.1%	-0.5%	2.5%	2.7%
	VIX Index	14.9	0.4%	-3.8%	-21.3%	-11.2%	-0.5%

1. According to the most recent annual American Trucking Agency report released in 2024.

Footnotes: Data is as of September 25, 2026.
Source: Bloomberg Finance LP, Verdenance Capital Advisors.

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