

Circular June 2026

Middle East Updated again

Oil prices and the effect on not just prices at the pump but transportation and infrastructure and so consumer prices remain the large problem from the conflict with travel through the strait of Hormuz unresolved.

The patience of the American public will start to wear thin if the chaotic situation continues. The average gallon of gas in America is \$4.24, according to AAA. That has driven worries of rising inflation, as the cost of fuel trickles down to consumers through virtually every industry. Inflation rose to 3.8% in April, according to the Consumer Price Index. That was the highest reading since May 2023, and far above the Fed's 2% target.

Now, dozens of large empty crude tankers are heading towards the US. Oil exports from the US have surged since the blockade of the Strait of Hormuz began, with American oil companies capitalising on a sudden surge in demand.

While US oil exports can't fully replace the supplies halted by the blockade, what's happening reminds us of an important truth about the oil market. When a key supply route closes, the system doesn't stop. It adjusts to try to keep up with the pace of demand.

The next chart highlights the dramatic increase in the number of empty oil supertankers, which can carry two million barrels of oil, heading to the US. The country is, after all, the largest producer of oil in the world and today it has no shortage of customers.



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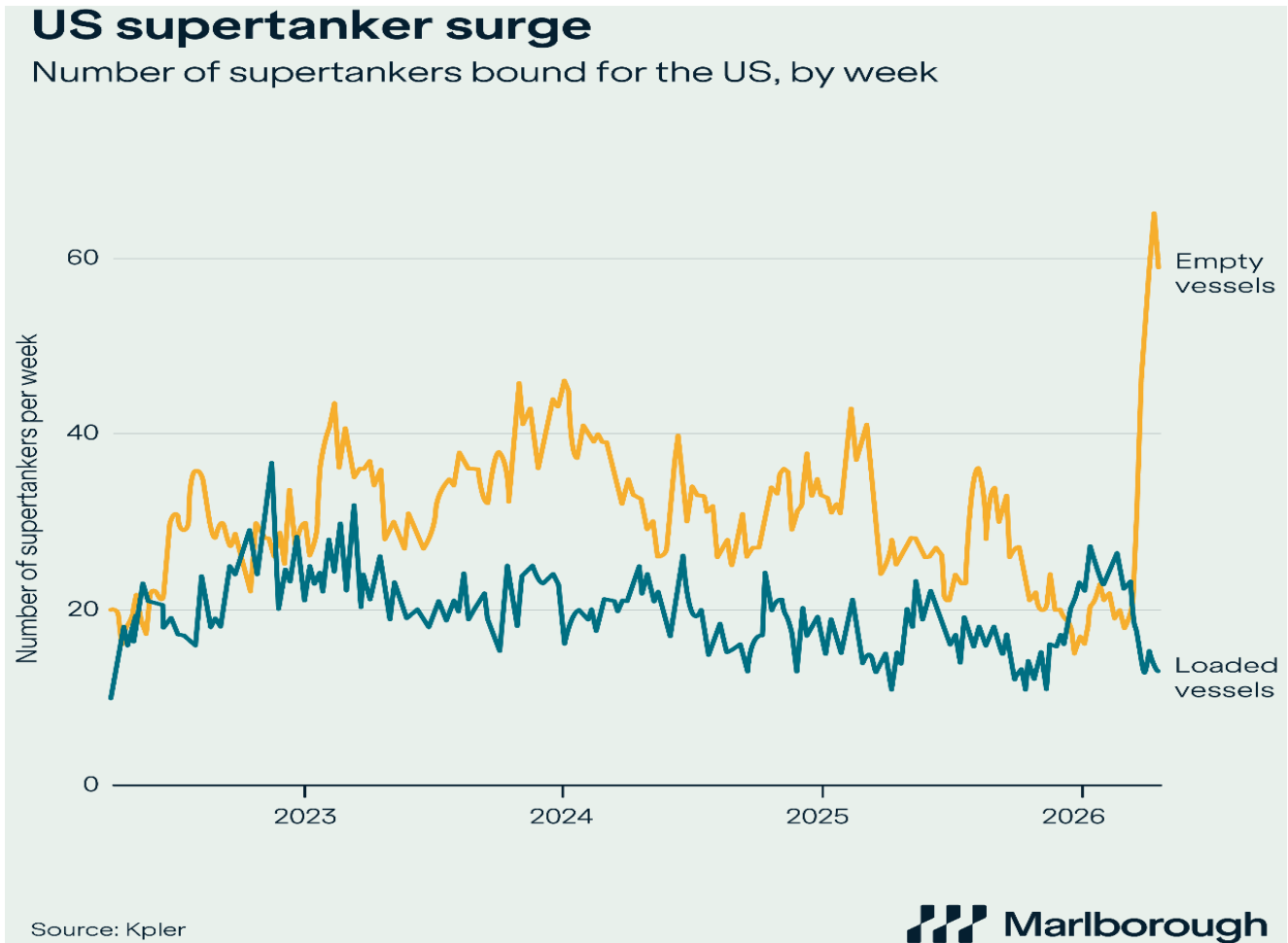
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There's another interesting dimension to the oil supply squeeze, which is the increasing demand for energy to power artificial intelligence (AI) systems.

According to Forbes magazine, fossil fuels including oil and gas currently generate about 60% of the energy used by the vast datacentres that power AI.

So, at the same time oil and gas supplies are coming under pressure, the huge growth in the use of AI is creating a rapidly growing new source of demand. In effect, a new runner has joined the race. One that doesn't tire but keeps asking for more fuel to sustain a faster pace.

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How to save

People accumulate wealth in different ways whether by work, investments, property, inheritance, etc. These assets can be from regular income, but many are also ad hoc with bonuses or windfalls. Investments can be made in flexibly including lump sums, and regular or ad hoc payments. The plans we run allow all three and once set up we don't charge you further one-off fees to add to the plan.

Times are volatile right now with things such as the US/Iran conflict happening which affect investments but are also unpredictable in the short term. That is one reason why we let investment experts make the investment decisions on your behalf.

In the longer term, volatility is excellent for markets as it's essential to grow portfolios. In the very short term though it can be a risk and timing the market is almost impossible. The adage is very true that you make money by your time in the market rather than market timing.

One way to mitigate volatility risk when investing is to use Dollar (or Pound) cost averaging. Dollar-cost averaging (DCA) is an investment strategy where you invest a fixed amount of money at regular intervals regardless of an asset's price. Instead of investing a large lump sum all at once, this approach steadily builds your position, helping to smooth out market volatility and remove the stress of trying to time the market. When you invest a set amount consistently, you automatically purchase more shares when prices are low and fewer shares when prices are high. Over time, this can lower your average cost per share compared to buying all at once at a single purchase which could be good or bad in terms of market timing.

It spreads short-term risk.

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