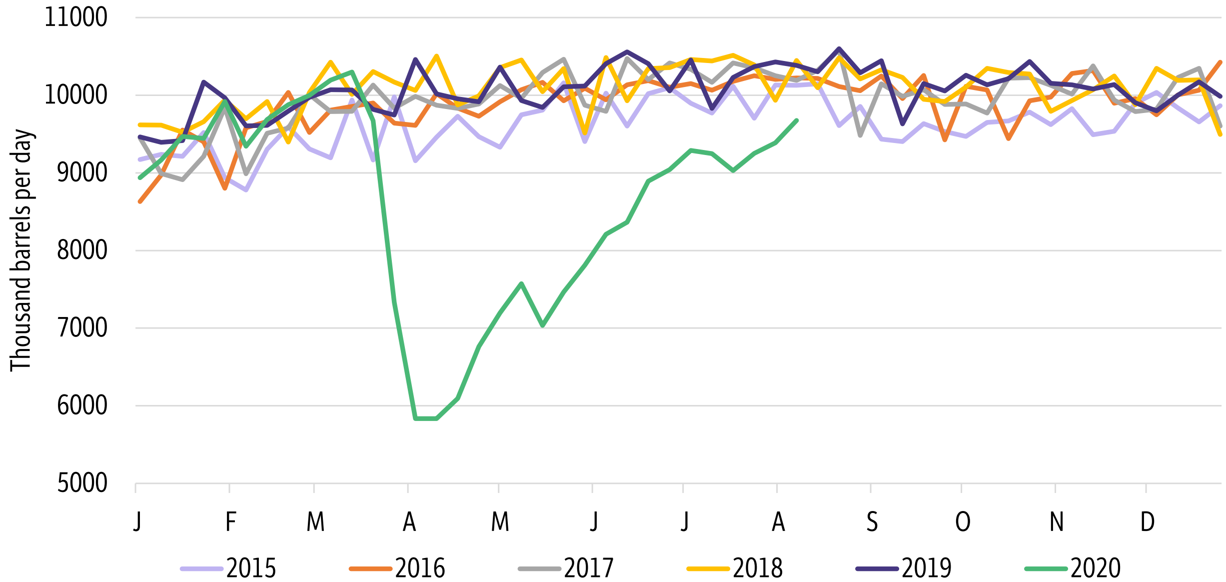
Chart of the Week

Weekly market analysis on key market indices August 25, 2020

The Return of Gasoline Demand



Sources: Department of Energy, Bloomberg, Wells Fargo Investment Institute. Weekly data: January 9, 2015 – August 7, 2020.

U.S. gasoline demand by year

When the U.S. shut down in March and April, one of the first economic victims was gasoline demand. With most cars parked, gasoline demand cratered as we've never seen before. The green line highlights that gasoline demand in April fell by more than 40% year-over-year.

Of course, oil and gasoline prices cratered, too. In late April, West Texas Intermediate (WTI) crude closed below zero—at -$37 per barrel. Some oil strategists thought this could be the new norm, and they lowered their oil targets to $20 and below. We did not feel that a new norm was evolving, and we left our year-end $40 WTI oil midpoint target alone. By July, WTI oil was trading consistently above $40 per barrel.

What it may mean for investors

U.S. gasoline demand is, impressively, almost back to pre-pandemic levels. Our view is that Americans, and much of the world, remain addicted to progress (higher living standards), which is another way of saying that they are addicted to oil. Yes, renewable energy is the future. But until that future matures (likely decades from now), we fully expect oil and gasoline to be in high demand. Our year-end 2020 target for WTI oil remains at $35 to $45 per barrel.

John LaForge, *Head of Real Asset Strategy*

This chart was excerpted from the Investment Strategy report dated August 17, 2020.

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