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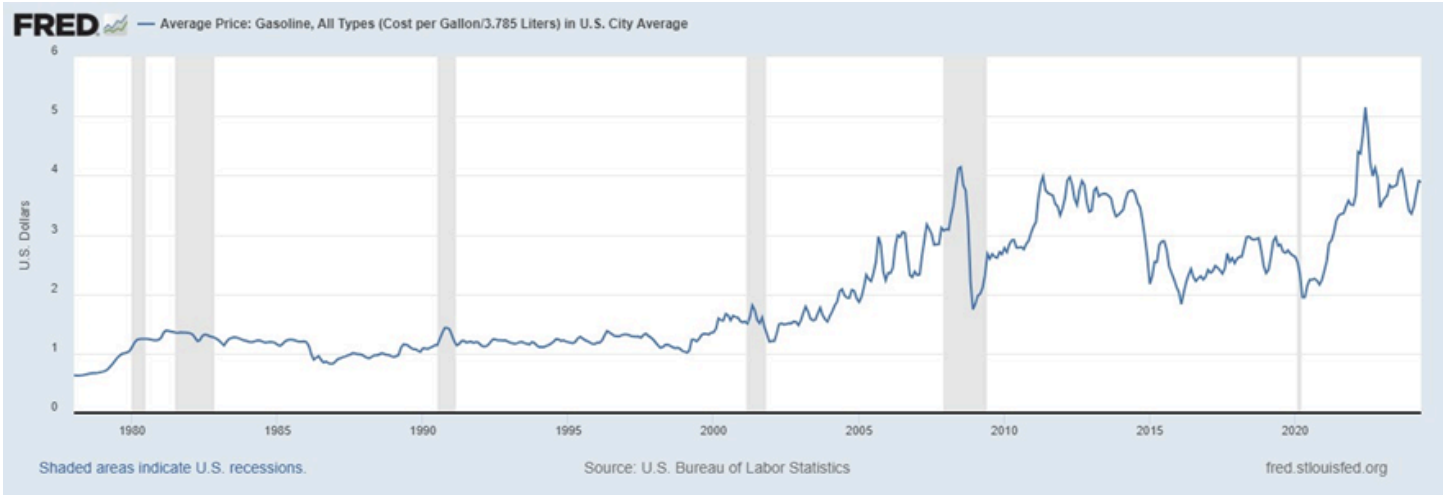
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Educational Shorts

Precious Metals Insights, Facts, and Resources

Fighting Inflation on the Road: Miles per Ounce of Gold Instead of the Usual MPG

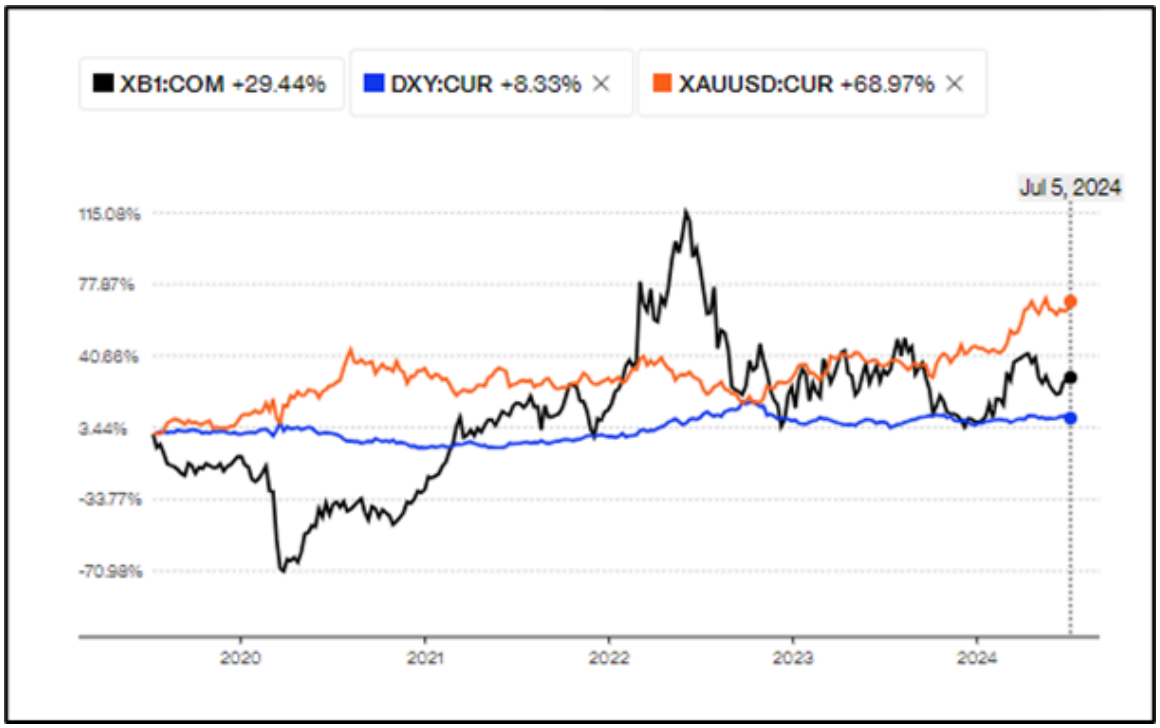
Gasoline prices in the 2020's have seen a wide swing; NYMEX futures prices traded a low of $0.67/gallon in March 2020 (when we all stopped driving due to COVID-19) and a high of $4.02/gallon in May 2022 (3 months after oil-producing Russia invaded Ukraine).



Average Price: Gasoline, All Types (Cost per Gallon/3.875 Liters) in U.S City Average.

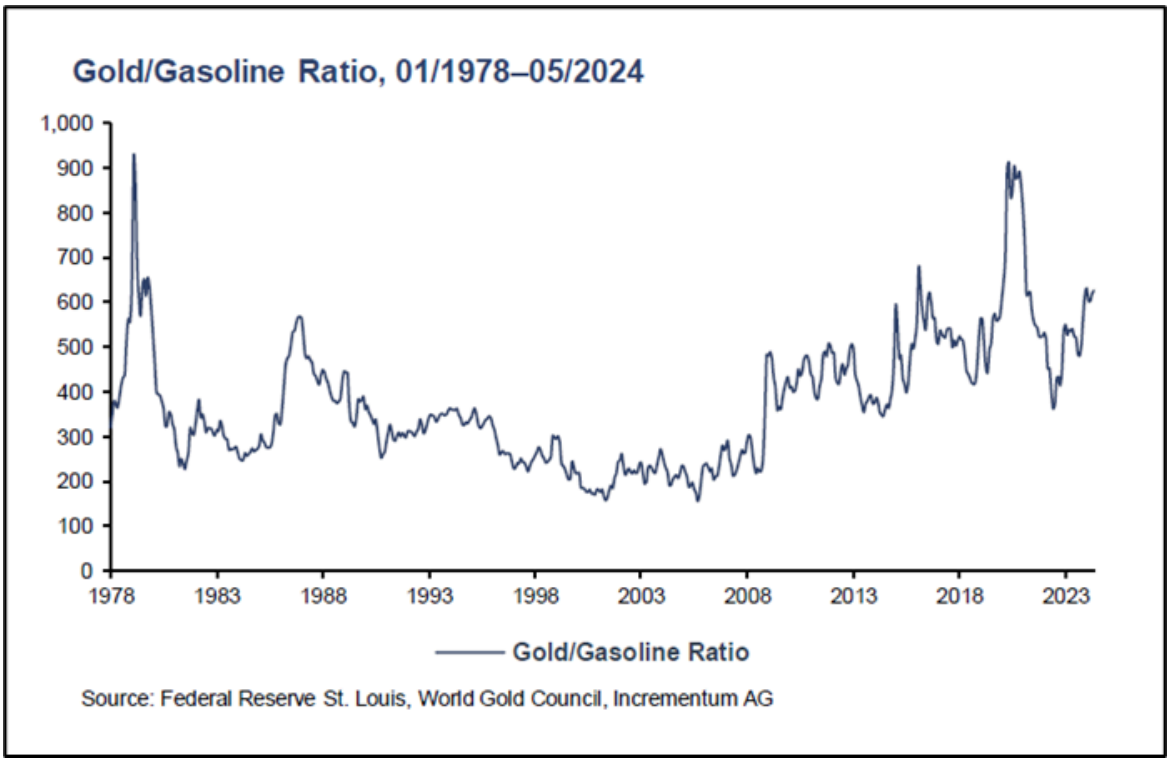
Source: U.S Bureau of Labor Statistics

In the last 5 years, gasoline prices are up 29%, gold prices by 69%, and the US Dollar Index by 8%.



Gas, U.S Dollar, and Gold Index

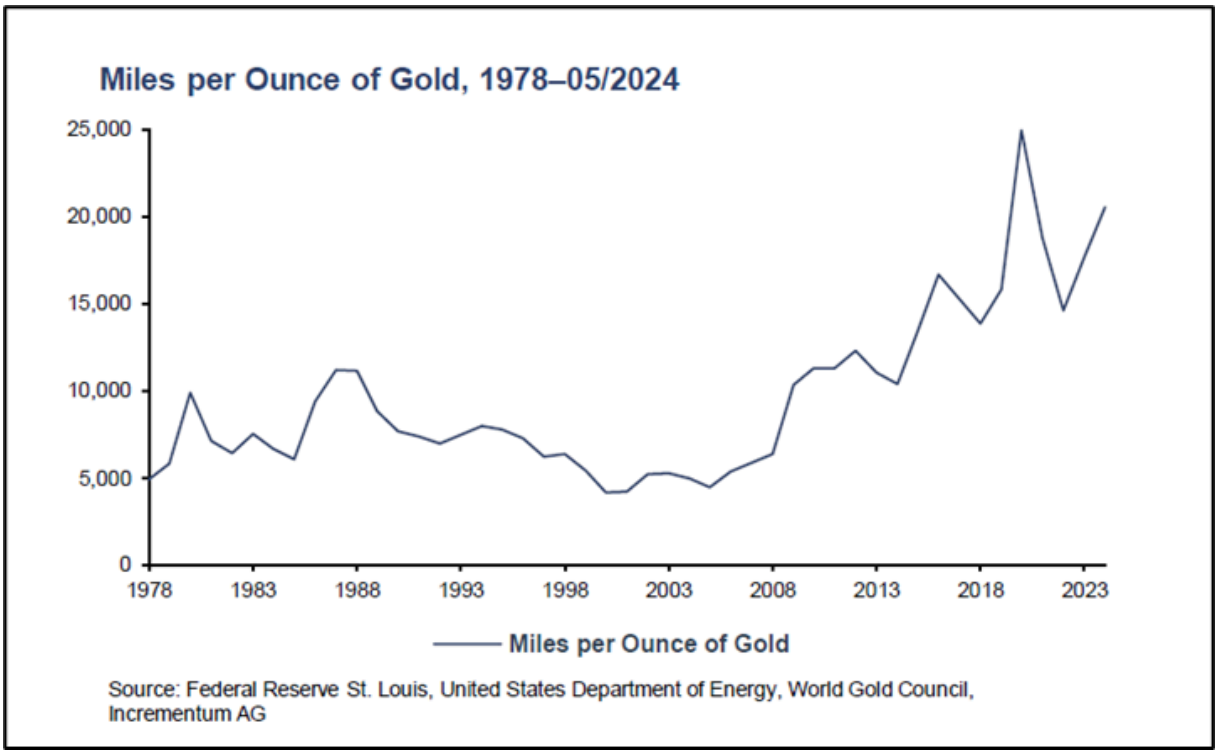
Since the start of the rally in gold prices in October 2022, gold's purchasing power for gasoline has increased. We can see this in the gold-gasoline ratio chart, recently published by Incrementum AG:



Gold/Gasoline Ratio, 01/1984–05/2024. Source: Federal Reserve St. Louis, World Gold Council, Incrementum AG

The ratio represents how many gallons of gasoline can be bought with one ounce of gold. The all-time high of over 900 gallons in May 2020? Nobody was driving due to COVID-19. We could not capitalize on that anomaly, and it fell away fairly quickly.

Miles per gallon is essential in driving and has grown over time. This has also helped drivers who are gold savers, who can drive over 20,500 miles per ounce—four times as far as 50 years ago.[1]



Gold/Gasoline Ratio, 01/1984–05/2024. Source: Federal Reserve St. Louis, U.S Department of Energy, World Gold Council, Incrementum AG

Gold owners might consider the price action of gold and gasoline an example of its inflation-fighting capability over time.

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[1] Incrementum AG, Gold Gasoline Ratio, July 2024

Jennifer Ropiak is a precious metals market specialist with over 30 years' experience, including 20 years of trading (15 at Morgan Stanley). In 2014, Jennifer launched Trusted Partner Metals, an independent consultancy whose clients span the metals industry. Services include expert witness opinions in precious metals cases.

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