



May 18, 2021

## FUSCO FINANCIAL ASSOCIATES

Market Commentary

Dear Valued Clients,

The ransomware attack on Colonial Pipeline this past weekend demonstrated the overall vulnerability of the United States energy infrastructure. Colonial Pipeline operates one of the nation's largest pipelines, carrying refined gasoline and jet fuel from southeast Texas to New Jersey, had to shut down its 5,500 miles of pipeline in an effort to contain the breach. The pipeline, which has serviced the East Coast since the early 1960's and supplies approximately 45% of the fuel for the East Coast, was shut down for five days before reopening on Wednesday<sup>1</sup>.

The pressure to provide gasoline and jet fuel to the eastern seaboard led Colonial Pipeline to pay nearly \$5 million in cryptocurrency to the Eastern European hackers in order to restore the disabled computer network. Upon receipt of the ransom, Colonial Pipeline was provided with a decrypting tool to help bring the network back online. The company also continued to use its own back-up systems to bring service back on line as quickly as possible.<sup>2</sup>

The pipeline shutdown, which sparked a wave of panic buying of gasoline by consumers in the southeast this past week, helped to push the nationwide average price of gas over \$3.00 per gallon. The increase in gas prices comes on the heels of the largest monthly increase in consumer prices, as measured by the consumer price index (CPI), in nearly 40 years. April's CPI increased 0.8% on a seasonally adjusted basis<sup>3</sup>. While this supply side shock is likely to only be temporary, the pipeline had resumed full operations as of Thursday (5/13), the rise in gas prices will impact the inflation reports for May as well.

The five day shutdown of the pipeline will cause additional delays in the national supply chain. Even though operations have resumed, delivery of fuel to the impacted areas will be delayed by several days. The Department of Transportation announced

earlier in the week that it would temporarily ease rules on truck transport of fuel, allowing drivers to work more hours, in order to ease the supply crunch<sup>4</sup>.

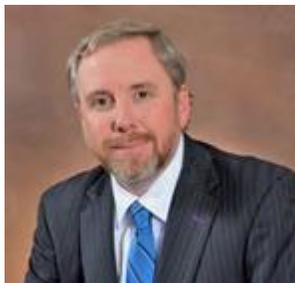
Please continue to stay safe, and as always, if you have any questions, or if we can help in any way, please don't hesitate to give our office a call.

With my best regards,



Kevin Fusco

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<sup>1</sup>New York Times

<sup>2</sup>Bloomberg

<sup>3</sup>Bureau of Labor Statistics

<sup>4</sup>Reuters

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