



9/14/2022

FUSCO FINANCIAL ASSOCIATES

Market Commentary

To Our Valued Clients,

Mass protests have broken out across Europe over the past few weeks as the energy crisis facing most of its countries has persisted. With the cold winter months just around the corner, thousands of citizens have taken to the streets in cities like Prague, Vienna, and Naples, demanding their leaders take action against skyrocketing energy prices and other unsustainable increases in living costs.

For decades most countries in Europe have heavily relied on Russia for their supply of natural gas, heating oil, coal, etc. Pre-invasion, Russia supplied 38% of the natural gas used by EU countries and 29% of the crude oil¹, with some members of the union importing at even higher rates. These countries are now dealing with the fallout of this reliance as the Russia-Ukraine war rages on. Russia's invasion caused an immediate strain on the natural gas supply to the region as major pipelines were shut down in an effort from Moscow to build its own reserves. Now fast-forward six months and a combination of western-imposed sanctions, EU countries continuing to re-open, and extreme weather conditions, have exacerbated energy supply issues in the region, further elevating prices. Natural gas in the EU is up 145% since the invasion and home heating oil is up 67%². It is estimated that the typical European household will spend €500 per month this winter on energy, a 300% increase from one year ago³. Additional disruptions likely lie ahead with the EU's embargo on Russian oil taking full effect on December 5th.

With their proverbial backs against the wall, several European governments have announced massive energy subsidies aimed at helping households and businesses reach their energy needs. With more expected to follow, EU countries and the UK have ponied up over \$500B in energy subsidies thus far. While this effort will hopefully ease the pain for some, a long-term solution is still badly needed. In the interim, most European countries remain in a very tough spot regarding their energy policies. Thanks

¹ Eurostat

² Eurostat

³ Goldman Sachs

for reading, 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,

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