

Price of Gas Could Double Soon

Can you imagine paying seven dollars for a gallon of gasoline?

It could soon happen, because it appears that Israel is about to strike Iran, and that is likely to cause events in the Middle East to spiral completely out of control.

Right now, approximately one-fifth of all oil used in the world goes through the Strait of Hormuz. An apocalyptic war in the region could potentially close the Strait of Hormuz until the conflict is resolved one way or the other. In addition, oil infrastructure could be destroyed in Iran and other nations in the Middle East as the fighting rages, and that could substantially reduce global oil production for an extended period of time.

Our way of life depends on cheap oil, and so if a major regional war in the Middle East causes the price of oil to skyrocket, that is going to deeply affect all of us.

On Monday, the average price of a gallon of gasoline in the United States was just \$.

The average price for a gallon of regular gas in the U.S. was \$ as of Monday, according to AAA, up almost 4 cents from a week earlier and 22 cents from a month ago.

Even though the average price of a gallon of gasoline has risen more than 20 cents in a month, I would still consider it to be at a very low level, especially compared to what is eventually coming.

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One expert that was interviewed by MarketWatch is warning that the average price of a gallon of gasoline in the U.S. could hit \$ this summer.

Colas estimated that a spike in oil prices pushing U.S. gasoline to \$ a gallon this summer would make a recession later in 2024 "a genuine possibility." U.S. gas prices averaged \$ a gallon at the pump on Monday, according to AAA, at last check.

And that same expert also warned that if the price of oil reaches \$125 a barrel it could push the U.S. economy into a recession.

"Crude prices are our chief concern, but we are a long way" from \$125 a barrel—a level of West Texas Intermediate oil that "would almost certainly cause a recession if sustained," said Colas. "Gasoline prices are the transmission mechanism between Mideast conflict and the US economy: when pump prices increase quickly, consumers must cut back on other spending."

Personally, I think that such a projection is wildly optimistic.

If Israel and Iran start lobbing thousands of missiles at one another, we could easily see the price of oil surpass \$150 a barrel, and it is likely that the average price of gasoline in the U.S. would shoot past \$ a gallon.

And if nuclear weapons are used in the Middle East, there is no telling what might happen.

Right now, the financial markets are waiting to see if Israel chooses to retaliate.

If the Israelis strike Iran, and oil infrastructure is targeted, that will definitely "send oil prices up."

If Israel does retaliate, and it becomes a full-fledged conflict, that's a different story. "And maybe Iran's oil platforms, refineries are taken out," he said. "That would send oil prices up."

I think that is what is going to happen.

At this moment, it is being reported that Israel is preparing to retaliate. When that occurs, the price of oil will go nuts and people all over the U.S. will blame Israel for the high price of gasoline.

But instead, they should blame Hamas, Hezbollah and Iran. If they would have just left Israel alone, things could have turned out much differently.

Iran could have lived in peace. The Iranians are one of the largest producers of oil in the world, and during the Biden administration they have been able to dramatically increase oil exports.

Iran has steeply raised oil exports, its main source of revenue, during the Biden administration after they were severely reduced due to measures taken by the Trump administration.

The White House has argued it isn't encouraging Iran to raise exports and is enforcing sanctions. Lower Iranian exports would lead to a further rise in oil prices and the cost of gasoline in the U.S., which would be a politically sensitive issue ahead of this fall's presidential elections.

Instead of using their oil money to fund terror organizations, the Iranians could have lived in luxury. To be honest, Iran could have been one of the most prosperous countries on the entire planet. But instead they have foolishly chosen a much different path.

If an all-out war between Israel and Iran erupts, it is probably inevitable that the Strait of Hormuz will be closed, and that will be catastrophic for the entire global economy.

Potential impacts on the shipping transiting through the Strait of Hormuz, a chokepoint for about one-fifth of the world's total oil consumption, will also factor into markets' pricing.

The commander of Iran's Revolutionary Guard's navy said on Tuesday that Iran could close the strait if deemed necessary, and earlier on Saturday Iran's state-run IRNA news agency said an IRGC helicopter boarded a vessel, the Portuguese-flagged MSC Aries, and took it into Iranian waters.

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Just think about that.

One-fifth of all the oil the world uses goes through the Strait of Hormuz.

We are in uncharted territory, and we could soon see a level of panic in the financial marketplace that we haven't seen in a very long time.

Meanwhile, economic conditions in the U.S. just continue to deteriorate.

Earlier today, I was saddened to learn that even Tesla has decided that mass layoffs have become necessary.

Tesla has announced layoffs of "more than 10%" of its global workforce in an internal company-wide email. We exclusively reported yesterday that Tesla was prepping a massive layoff.

For the last few months, it has looked like Tesla might be

preparing for a round of layoffs. Tesla told managers to identify critical team members, and paused some stock rewards while canceling some employees' annual reviews. It also reduced production at Gigafactory Shanghai.

Things are definitely not good now, but they will get a whole lot worse if a major regional war does erupt in the Middle East.

It takes energy to make products, transport products and sell products. The price of oil has an enormous impact on literally every sector of our entire economy.

If an apocalyptic war in the Middle East were to cause the price of oil to double, it would send us into a horrific economic tailspin.

So let's hope for the best, but let's also prepare for the worst.{eoa}

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