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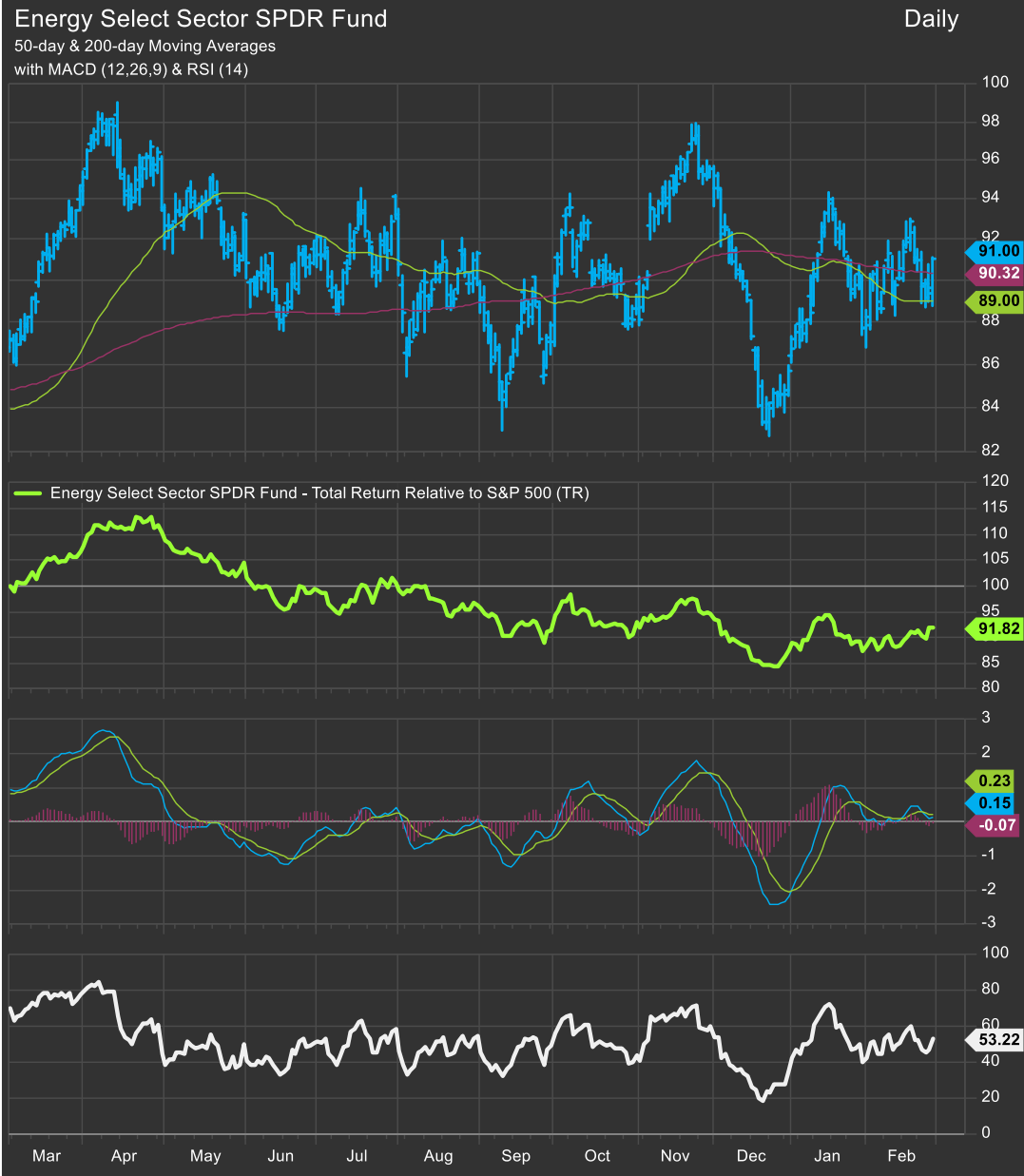
Monthly Insights: March

Energy Sector

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Sector Price Action & Performance Review: Energy



Energy sector consolidation continued in February despite nominal outperformance

Headwinds to growth leadership and the emergence of tariff/trade war dynamics have halted upside momentum for US equities in the near-term

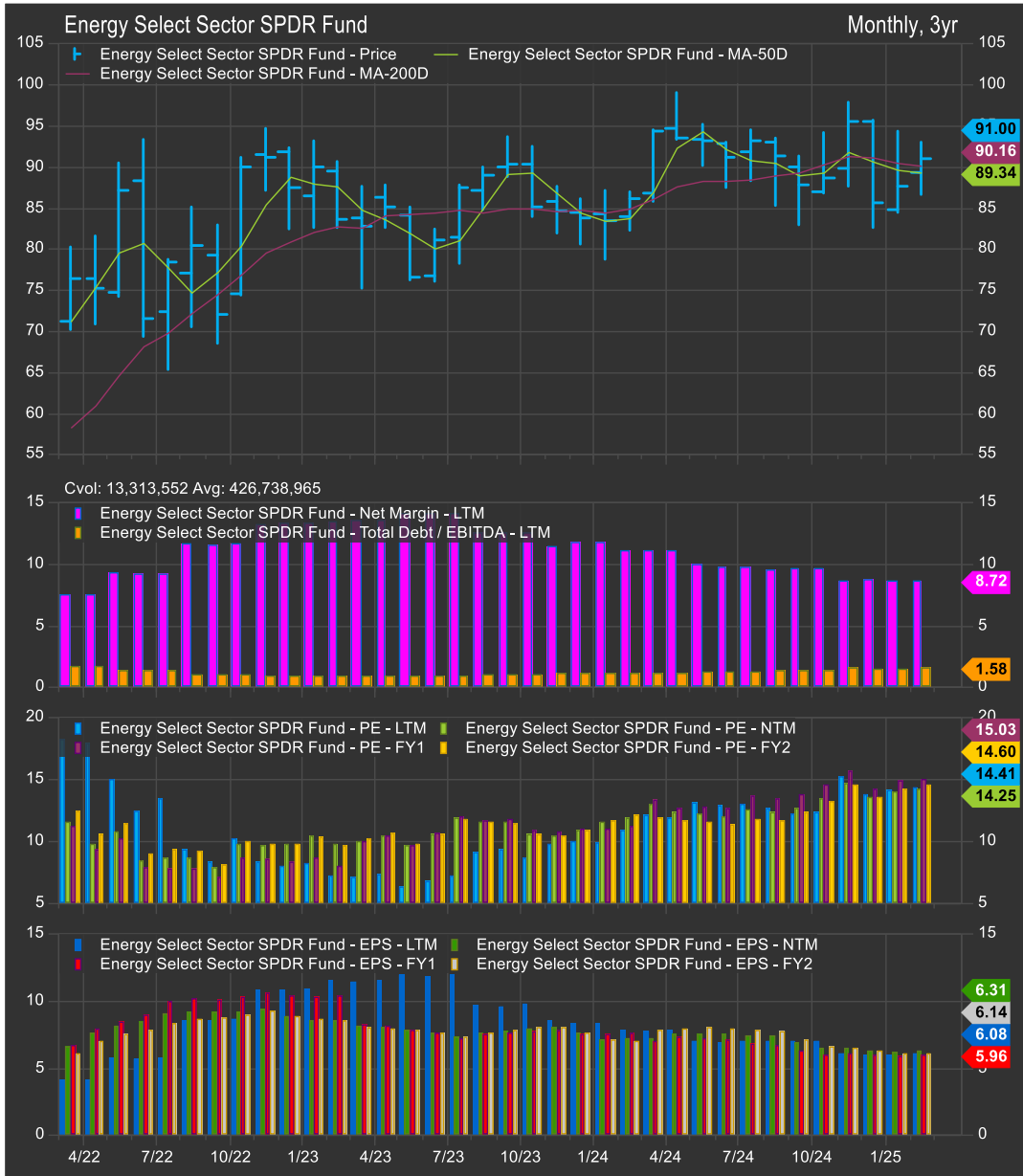
With consensus shifting from a bullish “soft landing” scenario to an economic picture with more uncertainty around inflation and employment, Energy stocks have a chance to continue outperforming in the near-term as forward expectations are muted for the sector and valuation has been materially discounted from 2022 levels

Performance relative to the S&P 500 has firmed in 2025 while oscillator work is neutral

Outlook: The U.S. energy sector faces a mixed outlook heading into March 2025. Bullish factors include strong natural gas demand, potential LNG export policy easing, and resilient refining margins, which should benefit midstream operators and fuel producers. Additionally, deregulation under the Trump administration may boost drilling and pipeline activity, particularly in shale regions. However, bearish pressures remain, with oil price volatility driven by weak macro data and high inventories, tariffs raising infrastructure costs, and uncertainty surrounding LNG export policies impacting natural gas producers. Meanwhile, renewable energy stocks remain under pressure as higher costs and reduced government incentives challenge the sector's growth. We think headwinds to Growth themes will continue trigger near-term rotation into Energy stocks

We start March with an **OVERWEIGHT allocation to the Energy Sector of +3.81% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

Fundamentals: Energy Sector



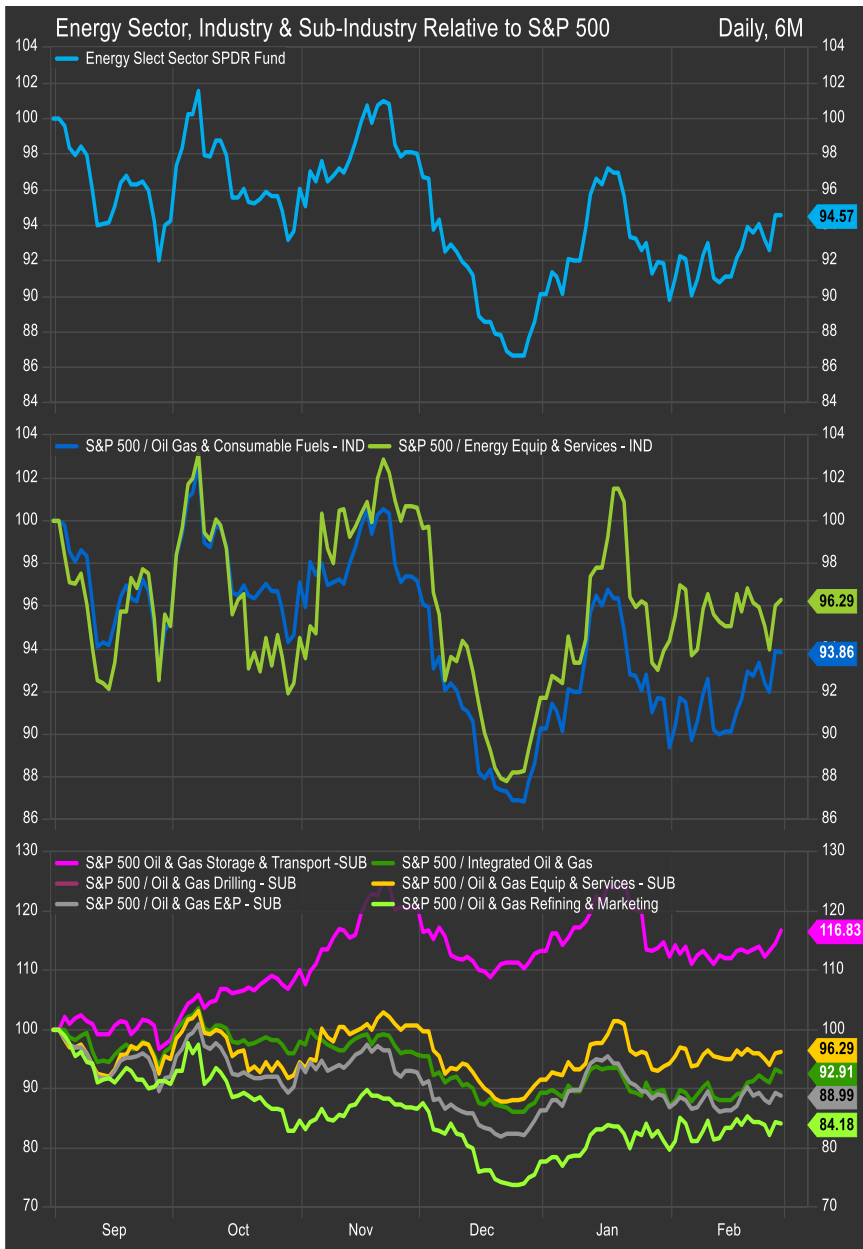
The chart (left) shows S&P 500 Energy Sector Margins, Debt/EBITDA, Valuation and Earnings

The second half of 2024 saw net margins contract for the sector while debt burden relative to EBITDA ticked higher (chart, panel 2)

Valuation (chart, panel 3) troughed in the middle of 2023 while earnings peaked around the same time.

Consensus EPS estimates for the next two unreported years show an expectation low or no growth which can be a tailwind when equities hit turbulence since bad news is already priced into these stocks

Industry/Sub-Industry Performance and Breadth: Energy



Energy Industries (chart, left): Oil Storage and Transport names bounced in February as the sector outperformed. The sector has been in a volatile trading range in both absolute and relative terms and we're expecting uncertainty around tariffs to drive some near-term demand for legacy energy resources in the near-term

Energy Sector Internals (chart, right): Less than 50% of Energy stocks are trading above their 50 and 200-day moving averages, however the sector was able to outperform...the % above 200-day series hasn't been able to move about the 50% threshold which is indicative of a technical downtrend, but also of a sector that has been neglected...that neglect is a setup for outperformance when equities correct, and we think there's an elevated chance of continued correction

Top 10/Bottom 10 Stock Level Performers: Energy

Symbol	Name	CHART_PATTERN	MktVal Co	Relative Earnings Growth vs. BMK	Valuation Adjusted Earnings Growth	Volatility Adjusted Income	Momentum Score	1-Month Excess Return vs. BMK	3-Month Excess Return vs. BMK	6-Month Excess Return vs. BMK	Near-term OB/OS
TPL	Texas Pacific Land Corporation	Uptrend	32,821.1	1.15	0.5	0.27	53.3	13.7	-12.3	56.8	
PSX	Phillips 66	Consolidation	52,874.4	1.60	2.3	1.91	-8.0	9.7	-1.5	-9.4	
WMB	Williams Companies, Inc.	Uptrend	70,942.9	0.62	0.5	2.04	21.7	7.1	1.4	24.8	
XOM	Exxon Mobil Corporation	Consolidation	483,076.9	-0.16	-0.3	3.12	-6.4	5.7	-4.1	-10.0	
DVN	Devon Energy Corporation	Consolidation	23,506.8	0.16	0.5	1.62	-17.0	5.6	-3.3	-24.5	
BKR	Baker Hughes Company Class A	Bullish Reversal	44,149.1	-0.51	-0.7	0.97	17.3	5.3	3.2	21.7	
HES	Hess Corporation	Bullish Reversal	45,917.0	-0.45	-0.6	1.00	-0.9	4.4	2.3	2.5	
CVX	Chevron Corporation	Consolidation	279,266.1	0.25	0.4	2.75	-0.3	4.4	-0.7	3.8	
SLB	Schlumberger Limited	Support	56,651.6	0.41	0.8	1.41	-10.6	3.3	-2.9	-10.0	
OKE	ONEOK, Inc.	Retracement	62,677.4	0.47	0.7	1.98	5.5	2.6	-9.5	9.0	

Outperformance at the stock level was generally robust with only 6 stocks underperforming the S&P 500 in February

Investors snapped up TPL after a near-term correction while some of our favorite Energy stocks like WMB, OKE, BKR and KMI also gained

In a departure from the usual status quo, even CVX and XOM showed up on the top performers list...

Symbol	Name	CHART_PATTERN	MktVal Co	Relative Earnings Growth vs. BMK	Valuation Adjusted Earnings Growth	Volatility Adjusted Income	Momentum Score	1-Month Excess Return vs. BMK	3-Month Excess Return vs. BMK	6-Month Excess Return vs. BMK	Near-term OB/OS
APA	APA Corporation	Downtrend	7,657.9	2.50	10.6	3.45	-25.7	-9.6	-6.7	-33.2	
FANG	Diamondback Energy, Inc.	Support	46,009.5	0.10	0.2	2.04	-18.6	-4.3	-9.4	-25.1	
VLO	Valero Energy Corporation	Consolidation	41,177.0	-0.39	-0.6	2.37	-11.3	-2.8	-4.5	-13.0	
CTRA	Coterra Energy Inc.	Bullish Reversal	20,624.4	4.18	11.7	1.91	0.7	-1.5	1.6	6.0	
EQT	EQT Corporation	Bullish Reversal	28,778.7	21.64	33.2	0.83	21.6	-1.4	7.1	41.6	
EOG	EOG Resources, Inc.	Consolidation	70,315.4	0.04	0.1	2.27	-4.9	-0.8	-3.5	-7.2	
COP	ConocoPhillips	Support	126,156.5	0.16	0.3	2.76	-14.5	0.3	-6.5	-17.4	
HAL	Halliburton Company	Support	22,891.6	-0.21	-0.5	1.40	-21.7	0.7	-16.4	-21.2	
OXY	Occidental Petroleum Corporation	Consolidation	45,836.4	1.63	2.8	1.58	-16.0	1.4	-2.1	-20.4	
KMI	Kinder Morgan Inc Class P	Support	60,215.2	0.35	0.4	2.68	18.1	1.5	-2.0	22.7	

Metrics:

(Formulas are in the appendix at the end of the report)

Cap. Weighted Earnings Growth

Higher score preferred when Large/Mega Cap stocks outperforming

Valuation Adjusted Earnings Growth

Higher scores preferred absent high momentum

Volatility Adjusted Income

Higher score preferred when equities and yields are moving lower

Momentum

Long higher scores, short lower scores

Economic & Policy Drivers: Energy Sector

1. Oil Prices and Demand Signals: Mixed Market Sentiment

- February saw WTI crude fell below \$70/barrel for the first time since late December before rebounding—a move driven by weak U.S. economic data, concerns over slowing global growth, and rising inventories.
- The EIA reported larger-than-expected crude stockpile builds, raising concerns over demand softness in the U.S. and China.
- However, refined product demand remained strong, with gasoline and jet fuel consumption rebounding as air travel and consumer mobility improved.
- Energy stocks saw mixed performance, with large integrated oil companies (ExxonMobil, Chevron) faring better than independent producers, which struggled with the oil price weakness.

2. Trump Administration's Energy Policy: Deregulation & Tariff Impacts

- The Trump administration moved to further ease regulations on domestic oil & gas production, with the Department of Energy (DOE) fast-tracking new drilling permits in federal lands and waters.
- The administration also canceled Biden-era restrictions on LNG exports, aiming to boost global competitiveness for U.S. natural gas.
- Trump's tariff policies introduced new cost concerns, with 25% tariffs on Canadian and Mexican steel set to take effect in March, raising costs for pipeline and refining infrastructure projects.
- Oilfield services companies (Halliburton, Schlumberger) flagged potential margin pressures from higher equipment costs and delays in sourcing materials.

3. Natural Gas Market: Stronger Demand, But LNG Policy Shifts Create Uncertainty

- Natural gas demand remained resilient, supported by a cold winter and strong LNG exports.
- However, Trump's review of long-term LNG contracts with Asia and Europe introduced uncertainty, causing some pullback in natural gas producer stocks.
- The Henry Hub benchmark price saw increased volatility, as market participants weighed domestic supply growth against possible export restrictions.
- Pipeline and midstream energy firms (Kinder Morgan, Williams Companies) remained relatively stable, benefiting from steady natural gas transport demand despite broader energy market swings.

4. Renewables Under Pressure: Rising Costs & Policy Uncertainty

- The renewable energy sector struggled amid policy uncertainty and higher input costs, particularly in solar, wind, and battery storage.
- Trump's tariffs on Chinese solar components and Canadian steel raised cost pressures for U.S. solar developers, leading to concerns about delayed project timelines and lower profit margins.
- Utilities with clean energy exposure (NextEra Energy, Dominion) underperformed, reflecting investor caution around regulatory support for renewables.
- Energy transition stocks, including hydrogen and carbon capture firms, saw lackluster performance, as Trump's administration focused more on oil & gas expansion than decarbonization incentives.

Appendix: Metric Interpretation/Description (All Data Sourced From FactSet Research Systems Inc.)

Valuation Adjusted Earnings Growth

Higher scores with positive momentum preferred

Valuation Adjusted Earnings Growth (simple mean)

Relative Earnings Growth Multiple (vs. Benchmark)

Divided by

Rel. Valuation Multiple (vs. Benchmark)

Relative Earnings Growth Multiple:

Company Earnings Growth:

Consensus EPS Estimates for the next 4 Unreported Qtrs (FY1) /
Restated LTM Annual Earnings

Divided by

Benchmark Earnings Growth:

Benchmark consensus mean EPS NTM / Restated Annual Benchmark
EPS

Relative Valuation Multiple

Company NTM P/E / Index NTM P/E

Volatility Adjusted Income

Higher score preferred when equities and yields are moving
lower

Volatility Adjusted Income (simple mean)

Dividend Yield Multiple

Divided by

3yr Beta Vs. S&P 500

Dividend Yield Multiple

Stock Dividend Yield (Consensus NTM)

Divided by

S&P 500 Dividend Yield (Consensus NTM)

Appendix: Metric Interpretation/Descriptions

Cap. Weighted Earnings Growth

Higher score preferred when Large/Mega Cap stocks outperforming

Cap. Weighted Earnings Growth

Consensus EPS Estimates for the next 4 Unreported Qtrs (FY1) / Restated LTM Annual Earnings * weight of each company in the universe 1-n

Momentum

Long higher scores, short lower scores

Momentum (simple mean)

1-Month Excess Total Return (vs. S&P 500) * 0.1

Plus

3-Month Excess Total Return (vs. S&P 500) * 0.3

Plus

6-Month Excess Total Return (vs. S&P 500) * 0.4

Plus

12-month Excess Total Return (vs. S&P 500) * 0.2

Metric Interpretation/Descriptions

Price Structure

We categorize stock chart patterns into 7 categories

Uptrend—Stock exhibits sustained outperformance

Bullish Reversal—Stock has outperformed over the past 3-6 months by > 10% vs. benchmark

Consolidation—Sideways price action, generally a bearish pattern in a bull market

Retracement—A sharp move lower in a previously strong chart

Distributional—A topping pattern

Downtrend—Sustained underperformance, lagging the benchmark by >15% per year

Support—Price has reached a level where major bottom formations or basing has occurred in the past

Basing—A protracted consolidation at long-term support

Deviation from Trend

Intermediate-term: Price % Above/Below 200-day moving average

Near-term: Price % Above/Below 50-day moving average

Overbought/Oversold (We want to sell overbought charts with declining momentum)

Overbought = Stock price > 25% above 200-day m.a.

Oversold = Stock price > 20% below 200-day m.a.

Near-term Overbought/Oversold (Signals depend on trend context)

Overbought = Stock price > 15% above 50-day m.a.

Oversold = Stock price > 15% below 50-day m.a.