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Monthly Insights: April Outlook

Energy Sector

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Sector Price Action & Performance Review: Energy



The Energy Sector found relief in March from February’s supply increase news. Prices rallied into resistance on the XLE chart (left), and the relative performance curve made new multi-month highs vs. the S&P 500 forming an intermediate-term bullish reversal.

Headwinds to growth leadership and the emergence of tariff/trade war dynamics have halted upside momentum for US equities in the near-term and investors continue to rotate out of Growth exposures into a mix of Value, Income and low vol. securities.

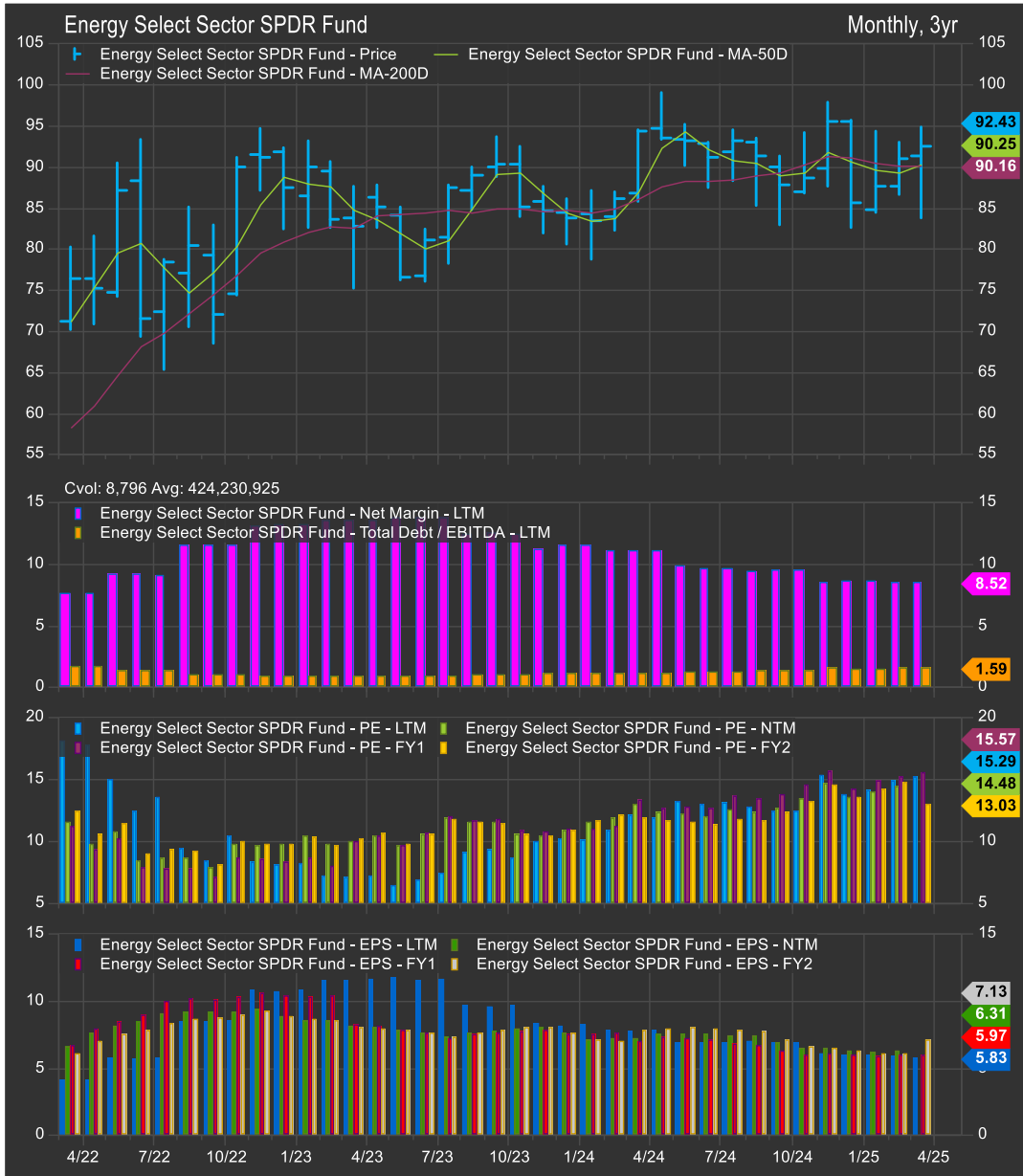
With consensus shifting from a bullish “soft landing” scenario to an economic picture with more uncertainty around inflation and employment, Energy stocks have a chance to continue outperforming in the near-term as forward expectations are muted for the sector and valuation has been materially discounted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

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

While March saw increased volatility in broader equities, Energy remained a relative outperformer. Continued geopolitical tensions, OPEC production discipline, and resilient U.S. consumption have underpinned the sector. However, rising tariff uncertainty, a potential slowdown in renewable momentum, and signs of softening global growth could present new challenges into Q2. We remain mindful of the potential for trend change, but the technical and macro picture at present remains supportive of Energy shares and we remain long as we expect Value and Income will continue to be leading factors vs. Growth.

We start April with an **OVERWEIGHT allocation to the Energy Sector of **+6.2%** in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

Fundamentals: Energy Sector



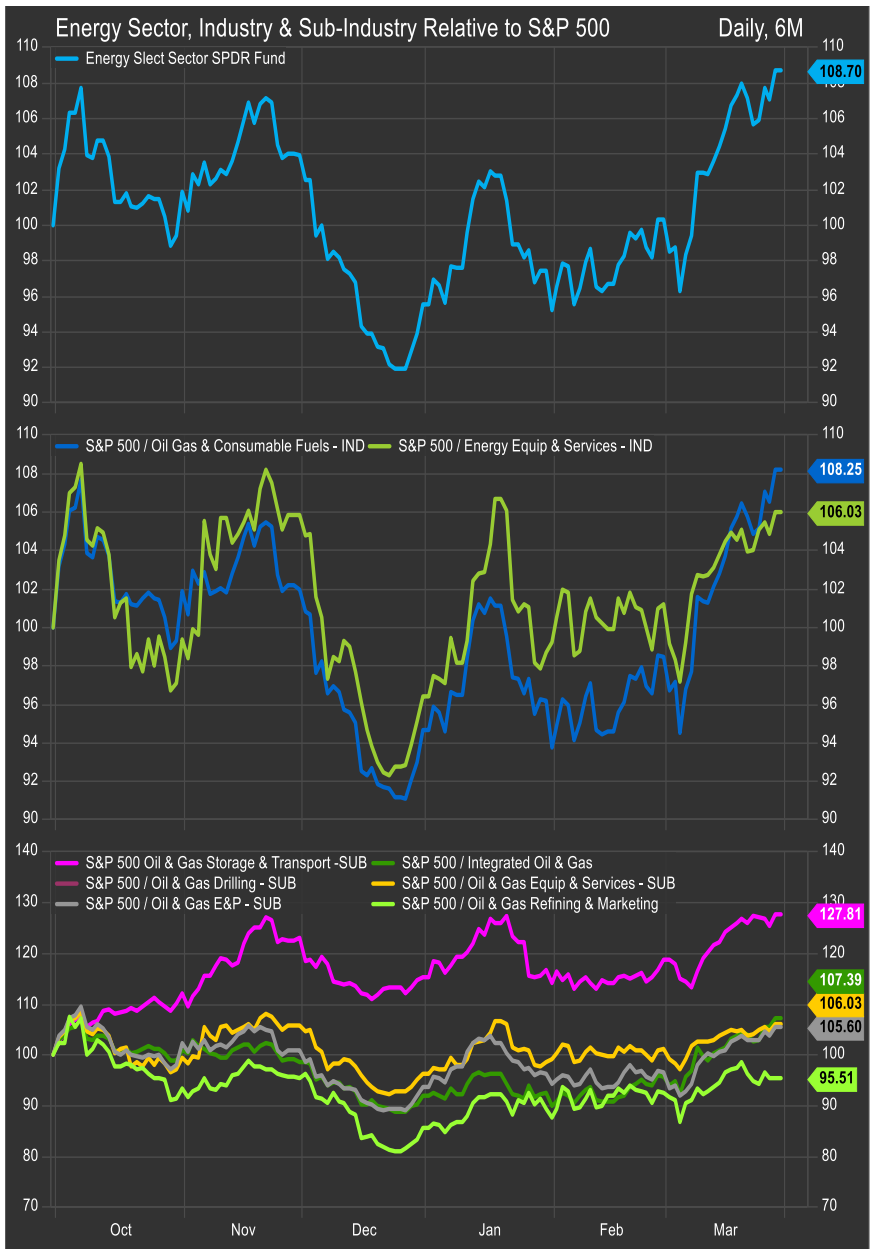
The chart (left) shows S&P 500 Energy Sector Margins, Debt/EBITDA, Valuation and Earnings

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. With equities correcting, the sectors low relative valuation vs. the S&P 500 is an asset.

Consensus EPS estimates for the next two unreported years show a recent uptick from recent guidance which relieves valuation concerns for the time being.

Industry/Sub-Industry Performance and Breadth: Energy



Energy Industries (chart, left): March saw bullish recognition for the sector as all industries within outperformed the S&P 500. Outperformance from integrated Oil & Gas Majors XOM and CVX were a driver of outperformance as only one stock in the sector lagged during March

Energy Sector Internals (chart, right): Internals showed near-term strength with the % of stocks above their 50-day moving average bouncing from 0% mid-month to 80% in less than 2-weeks...when compared to internal strength in other sectors, this was one of the few to register strength on the bounce

Top 10/Bottom 10 Stock Level Performers: Energy

Symbol	Name	CHART_PATTERN	MktVal Co	Valuation Multiple Rel to Index	Momentum Score	Div Yld Multiple rel to Index	1-Month Excess Return vs. BMK	Near-term OB/OS
EXE	Expand Energy Corporation	Bullish Reversal	25,815.7	0.55	27.8	1.4	19.0	
EQT	EQT Corporation	Bullish Reversal	31,670.3	0.60	36.3	0.8	16.2	
CTRA	Coterra Energy Inc.	Bullish Reversal	21,876.1	0.36	17.9	2.0	13.1	
HES	Hess Corporation	Bullish Reversal	48,848.8	0.76	17.8	0.8	12.9	
XOM	Exxon Mobil Corporation	Bullish Reversal	510,847.4	0.61	8.2	2.2	11.9	
CVX	Chevron Corporation	Bullish Reversal	290,610.3	0.63	15.8	2.7	10.9	
KMI	Kinder Morgan Inc Class P	Uptrend	63,037.1	0.88	29.7	2.7	10.9	
COP	ConocoPhillips	Consolidation	130,121.8	0.51	0.3	2.1	9.4	
WMB	Williams Companies, Inc.	Uptrend	72,252.4	1.08	30.2	2.2	8.8	
DVN	Devon Energy Corporation	Bullish Reversal	23,857.2	0.31	1.0	1.8	8.4	
APA	APA Corporation	Downtrend	7,616.2	0.25	-11.9	3.2	7.2	
VLO	Valero Energy Corporation	Consolidation	41,345.3	0.63	0.3	2.3	6.7	
SLB	Schlumberger Limited	Bullish Reversal	56,950.7	0.48	1.2	1.8	6.7	
OXY	Occidental Petroleum Corporation	Consolidation	45,889.6	0.57	-3.9	1.3	6.7	
FANG	Diamondback Energy, Inc.	Support	45,598.5	0.41	-4.3	1.7	6.0	
EOG	EOG Resources, Inc.	Consolidation	70,121.5	0.45	5.8	2.0	5.9	
OKE	ONEOK, Inc.	Consolidation	61,485.0	0.69	11.5	2.8	4.3	
TRGP	Targa Resources Corp.	Uptrend	43,145.9	0.94	35.6	1.3	4.2	
BKR	Baker Hughes Company Class A	Bullish Reversal	42,654.0	0.65	17.7	1.4	2.8	
MPC	Marathon Petroleum Corporation	Consolidation	44,891.7	0.65	-6.3	1.7	2.1	
HAL	Halliburton Company	Support	21,763.1	0.37	-11.9	1.9	1.9	
PSX	Phillips 66	Consolidation	49,641.3	0.62	-2.8	2.5	0.0	
TPL	Texas Pacific Land Corporation	Uptrend	30,011.5	1.97	50.2	0.3	-2.3	

The S&P 500 has shrunk over the cycle to include only 23 companies...so we're looking at the entire group in our top 10/bottom 10

Sector performance has been goosed to the upside by participation from majors XOM and CVX

We've flagged a number of emerging bullish reversals including EXE, EQT, CTRA, BKR and SLB

Longer-term leadership within the sector has held up well too as high dividend stocks like TRGP and OKE have seen inflows due to market level turbulence

Metrics:

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

Valuation Multiple Relative to Index

Premium (or discount) to benchmark valuation

Momentum

Long higher scores, short lower scores

Dividend Yield Relative to Index

Higher scores preferred when rates and equities are moving lower

Near-term Overbought/Oversold

Price is >10% away from the 50-day moving average Above/Below

GREEN|RED

Company scores positively|negatively for Elev8 Sector Rotation Model for April

Economic & Policy Drivers: Energy Sector

1. OPEC Policy & Global Production Strategy

OPEC+ discipline remained supportive of prices, with no new production increases announced despite global economic uncertainties.

Russia's role remained under scrutiny as the U.S. continued to ratchet up **sanctions on Iran-linked buyers and Russian entities**, potentially tightening global supply. President Trump also made public remarks about energy dominance and curbing Russian and Iranian influence, further amplifying geopolitical risk premiums.

Expectations for **OPEC policy continuity** have contributed to relative strength in U.S. energy equities throughout March, particularly large-cap integrated names and refiners.

2. Supply/Demand Dynamics & Geopolitical Risks

WTI crude posted a **third consecutive weekly gain** by late March, even amid broader market volatility. Supply tightness concerns and Middle East tensions supported prices.

U.S. refining activity continued to pick up, with EIA data showing falling **crude inventories**. This suggested stronger seasonal demand and a rebound in production after weather disruptions earlier in Q1.

New oil projects globally (cited by Raymond James) expected to provide the **largest influx of crude** in a decade, helping to balance the market over the medium term.

Geopolitical risks from Yemen, Russia-Ukraine, and Venezuela remained high. Trump's administration extended Chevron's license in Venezuela, balancing supply access with strategic pressure.

Tariff concerns also surfaced, with speculation the Trump administration might target **copper and other industrial inputs**, indirectly impacting energy infrastructure costs and capex planning.

3. Alternative Energy, ESG & Transition Policies

The energy sector continued to face **mixed signals** on the transition front. While there was less headline focus on renewables, some **clean coal** comments from Trump and pushbacks on **decarbonization targets** suggest a slower momentum on federal ESG policy.

ExxonMobil was reported to be **cutting UK headcount by 250** amid a broader consolidation strategy. While framed as cost control, it also hinted at **selective retrenchment** from higher-cost regions as the energy mix shifts.

Biden-era subsidies and tax credits for renewables remain largely untouched so far under Trump 2.0, but industry is bracing for potential future changes to tax treatment or grant structures.

4. Fuel Consumption Trends & U.S. Demand Signals

Travel and leisure activity remained resilient despite broader market headwinds. Airlines and cruise lines showed demand softness in equities but stable underlying traffic.

Gasoline and distillate demand held up better than expected despite continued recession concerns, and **exports remained robust**, particularly to Latin America and Europe.

March's macro data showed **consumer spending holding up**, including a 0.4% m/m increase in February, helping to support domestic fuel demand trends.

Appendix: Metric Interpretation/Descriptions

Valuation Multiple Relative to Index

Higher scores correspond to more expensive earnings than the index, lower scores are cheaper

Valuation Multiple Relative to Index

(Company Price/NTM EPS)/ (Index Price/NTM EPS)

Dividend Yield Relative to Index

Higher scores correspond to higher company dividend yield relative to the S&P 500 Index dividend Yield

Dividend Yield Relative to Index

Company FY1 Rolling Dividend Yield / Index FY1 Rolling Dividend Yield

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.