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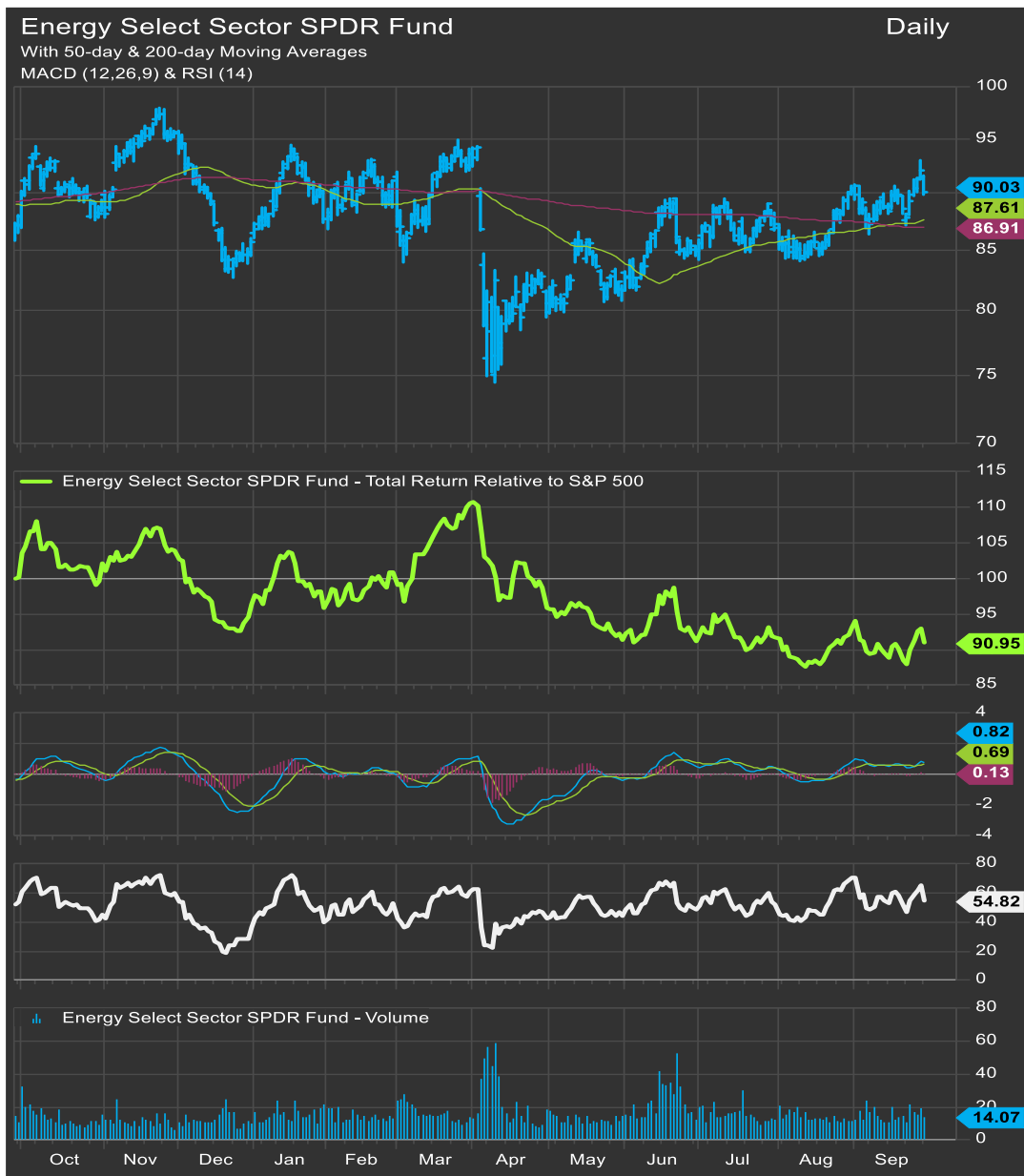
Monthly Insights: October Outlook

Energy Sector

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Sector Price Action & Performance Review: Energy



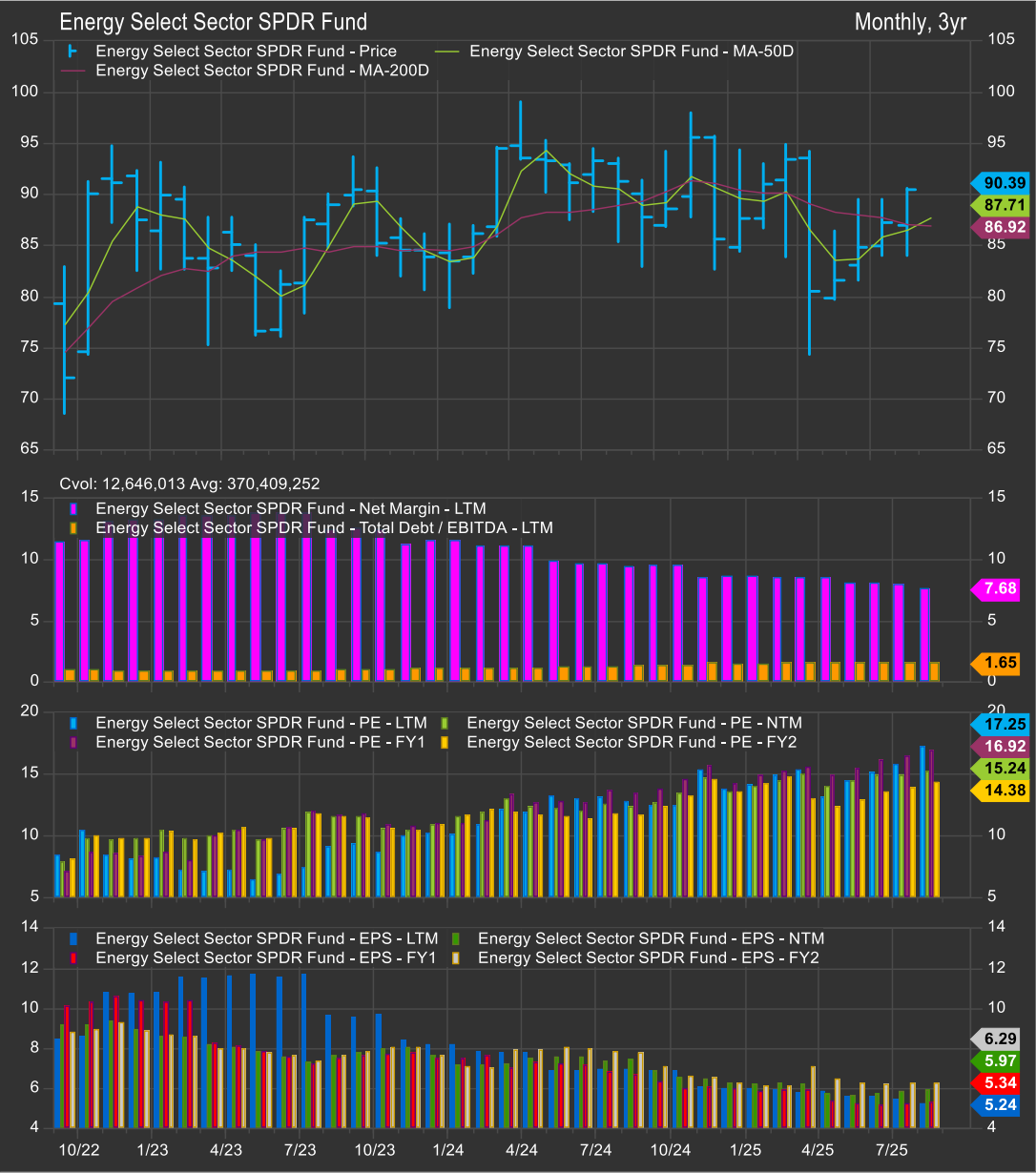
Energy stocks have seen performance vs. the broad market stabilize over the past two months, but the sector has been unable to make sustained gains vs. the S&P 500.

From a technical perspective, Crude price weakness has been a significant headwind as the equity bull market has not boosted demand for Crude. Headwinds from alternative energy, vehicle electrification and OPEC supply increases have kept the Energy Sector on the back burner despite geo-political tensions that have historically boosted the Crude price.

On the policy front, enforcement actions related to Russian sanctions and tariff implementation are seen as a double-edged sword. Policing illegal supply may raise the spot price for Crude, but tariff enforcement is seen as a potential cost driver for the sector. With US eco data slowing, the Fed's dovish policy roll-out should be supportive, but we remain of the opinion that commodity linked cyclicals like Energy stocks will have trouble keeping pace with Growth themes as long as the bull is in control of the tape.

We start October with a MARKET WEIGHT allocation to the Energy Sector of +0.21% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

Fundamentals: Energy Sector



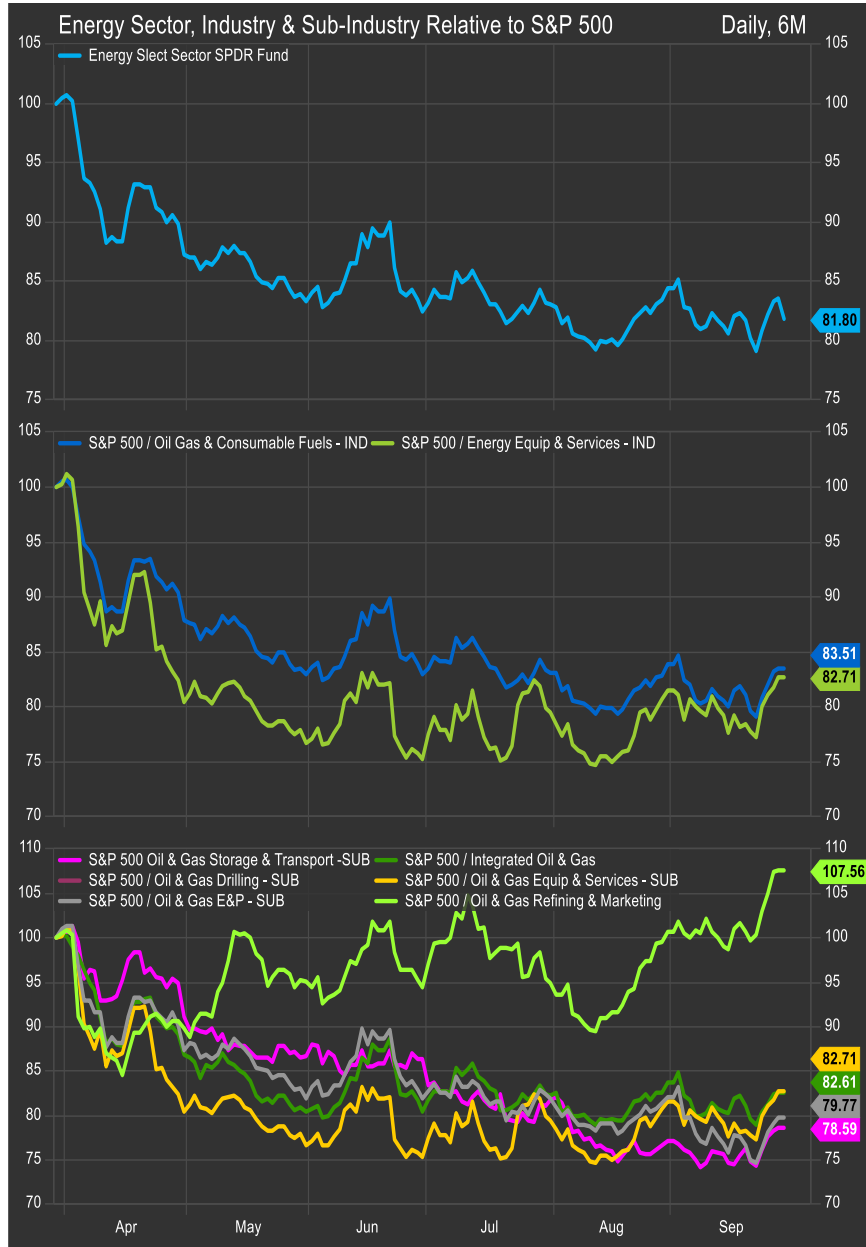
The chart (left) shows S&P 500 Energy Sector Margins, Debt/EBITDA, Valuation and Earnings

Margins continue to contract for the sector while debt burden relative to EBITDA ticked higher (chart, panel 2).

Valuation (chart, panel 3) continues to elevate in a negative way as a product of decreasing out year earnings growth projections.

The best that can be said for the sector is that it is unloved and very under-owned with a valuation multiple among the lowest in aggregate at the sector level.

Industry/Sub-Industry Performance and Breadth: Energy



Energy Industries (chart, left): While performance at the sector level is stabilizing, Energy stocks haven't been able to sustain outperformance vs. the S&P 500 at the sector level.

Refiners have been a bullish outlier in the near-term posting back-to-back months of outperformance while Equipment and Services stocks have improved over that time frame as well

Energy Sector Internals (chart, right): Internals strength was boosted by the late month rally in crude, but the sector hasn't shown any ability to sustain near-term momentum in this cycle

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	3y BETA Rel to Loc Idx	1-Month Excess Return vs. BMK
VLO	Valero Energy Corporation	Bullish Reversal	54,559.8	0.66	19.1	1.7	1.04	13.9
HAL	Halliburton Company	Bullish Reversal	21,408.8	0.48	6.8	1.8	1.29	9.5
WMB	Williams Companies, Inc.	Bullish Reversal	78,167.6	1.09	-1.7	2.1	0.92	9.0
BKR	Baker Hughes Company Class A	Bullish Reversal	49,806.6	0.79	15.1	1.2	1.29	8.6
MPC	Marathon Petroleum Corporation	Bullish Reversal	60,405.8	0.67	12.2	1.2	0.91	8.5
EXE	Expand Energy Corporation	Consolidation	25,188.7	0.42	-11.4	1.4	0.38	6.5
APA	APA Corporation	Bullish Reversal	8,833.7	0.30	15.3	2.7	0.89	5.1
PSX	Phillips 66	Bullish Reversal	56,359.2	0.58	5.3	2.3	1.20	2.7
KMI	Kinder Morgan Inc Class P	Consolidation	62,684.8	0.85	-7.8	2.8	0.84	2.1
TRGP	Targa Resources Corp.	Support	37,484.3	0.75	-9.3	1.6	1.03	2.0
DVN	Devon Energy Corporation	Consolidation	23,481.3	0.35	0.7	1.8	0.97	1.5
TPL	Texas Pacific Land Corporation	Retracement	21,936.3	#N/A	-17.6	0.5	0.75	1.4
XOM	Exxon Mobil Corporation	Consolidation	499,737.8	0.65	-3.2	2.3	0.54	1.1
EQT	EQT Corporation	Support	33,736.9	0.49	-10.6	0.8	0.72	1.0
CVX	Chevron Corporation	Consolidation	327,910.6	0.74	-2.4	2.9	0.72	-1.8
OXY	Occidental Petroleum Corporation	Consolidation	46,731.4	0.71	-2.8	1.3	0.70	-1.9
COP	ConocoPhillips	Consolidation	122,995.8	0.60	-4.0	2.2	0.56	-2.3
FANG	Diamondback Energy, Inc.	Consolidation	42,916.3	0.48	-6.3	1.8	0.82	-2.9
SLB	Schlumberger Limited	Consolidation	53,054.1	0.47	-9.3	2.1	1.08	-4.1
CTRA	Coterra Energy Inc.	Support	18,185.6	0.34	-15.4	2.5	0.78	-4.6
OKE	ONEOK, Inc.	Support	46,532.7	0.50	-18.0	3.8	1.13	-4.9
EOG	EOG Resources, Inc.	Downtrend	64,050.5	0.44	-12.5	2.3	0.88	-7.9

Refiners (VLO, MPC) and Energy Service co.'s (HAL, BKR) led the sector in September

High dividend payors (OKE, KMI) continued to retrace gains from 2024 while the majors (XOM, CVX, COP) remain laggards vs. the sector

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

Oil tape & positioning: WTI rallied ~**5.3% for the week ending Fri 26-Sep**, its biggest weekly gain since mid-June, before easing on fresh chatter of a potential **OPEC+ production hike for November** (WTI -1.7% pre-market the following Monday). Hedge funds were described as **bullish on crude** amid geopolitical unrest, keeping a constructive bid under energy beta.

Geopolitics: Energy was a key transmission channel for September's headlines. European leaders telegraphed a harder line on **Russian oil**—the EU weighed additional **trade measures against Moscow's shadow fleet**, while U.S. rhetoric pressed Europe to curb Russian purchases. Separately, Middle East tensions flared (Gaza operations), and the Ukraine narrative shifted (the U.S. tone suggested Kyiv could take back territory). Together, these supported a **risk-premium** in crude.

U.S. policy & tariffs (second-order for energy): The White House launched **Section 232 probes** into robotics/industrial machinery and widened tariff actions across several goods categories. Direct energy impacts were limited, but **equipment import costs** (for field machinery, robotics, and medical/industrial gear used on sites) could creep higher at the margin. Markets mostly **ignored shutdown risk** but flagged potential data delays.

Rates & USD: Yields oscillated—backing up mid-week and then easing—while the **Dollar Index finished the week higher by ~0.5%** despite a Friday downtick. The stronger USD is a **headwind to crude**, but September's geopolitical tone and positioning offset it.

Crude: The month ended with a **firm tone**: Friday 26-Sep WTI **+1.1%**, capping the **+5.3% weekly gain**; earlier sessions saw energy leadership on up-days and relative resilience on down-days.

Earnings & Company Color

OXY: Strategic review chatter—**talks to sell the OxyChem division** (press reports said the asset could fetch **\$10B+**)—underscored capital rotation and balance-sheet optionality.

A&D supply chain: Reports the U.S. urged **missile suppliers to double/quadruple output**—not Energy per se, but reflective of **elevated global risk** that helped the oil risk-premium.

The broader equity tape repeatedly showed **integrateds, E&Ps, and refiners** populating the daily **outperformer lists** when crude strengthened.

Trade & Tariffs:

Russian barrels & EU enforcement: Discussion of **sanctions on the shadow fleet** and tighter enforcement is **bullish medium-term** for Atlantic Basin balances if implemented credibly.

U.S. tariff expansion: New Section 232 probes (robotics/industrial machinery) and fresh tariff slates mostly **indirect** for Energy, but they could **lift capex costs** for field equipment and downstream modernization over time.

China demand lens: China-related headlines were mixed (tech-centric), but broader Asian risk sentiment was **uneven**, adding short-term noise to crude demand expectations.

What to Watch in October 2025

OPEC+ decision path: Any clarity on the **rumored November production hike**—size, compliance, and Saudi/Russia stance—will steer crude.

Macro prints: ISM (mfg/services), **payrolls**, CPI/PPI—demand and inflation direction matter for USD and risk appetite (and by extension, oil).

Policy enforcement: EU follow-through on **shadow-fleet sanctions**; any expansion of U.S. tariff enforcement that tangentially raises **oilfield equipment costs**.

Geopolitics: Ukraine theater, Middle East headlines—any escalation could **reprice the risk premium**.

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.