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Monthly Insights: March Outlook

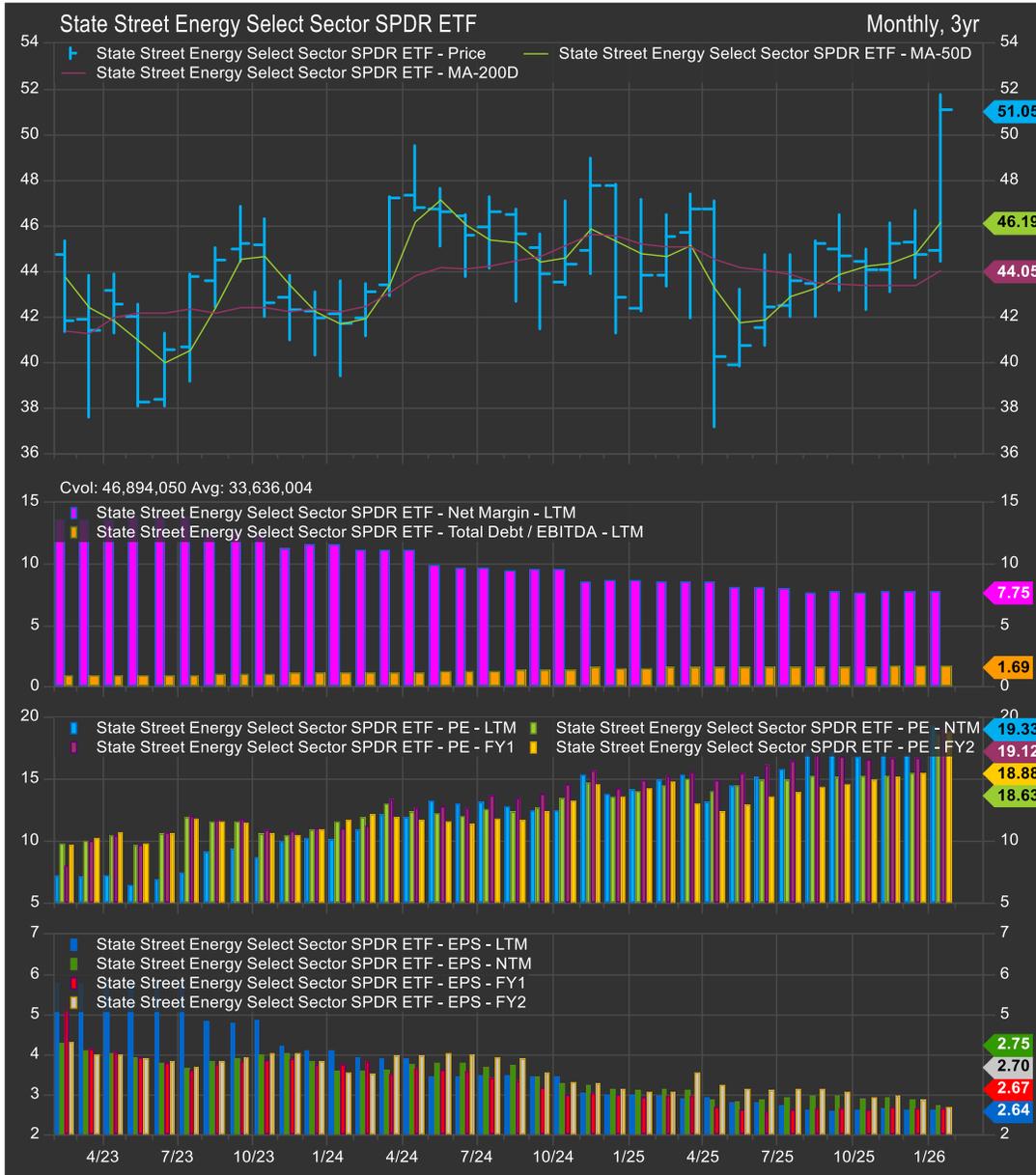
# Energy Sector

Patrick Torbert, CMT

Editor & Chief Strategist



# Fundamentals: Energy Sector

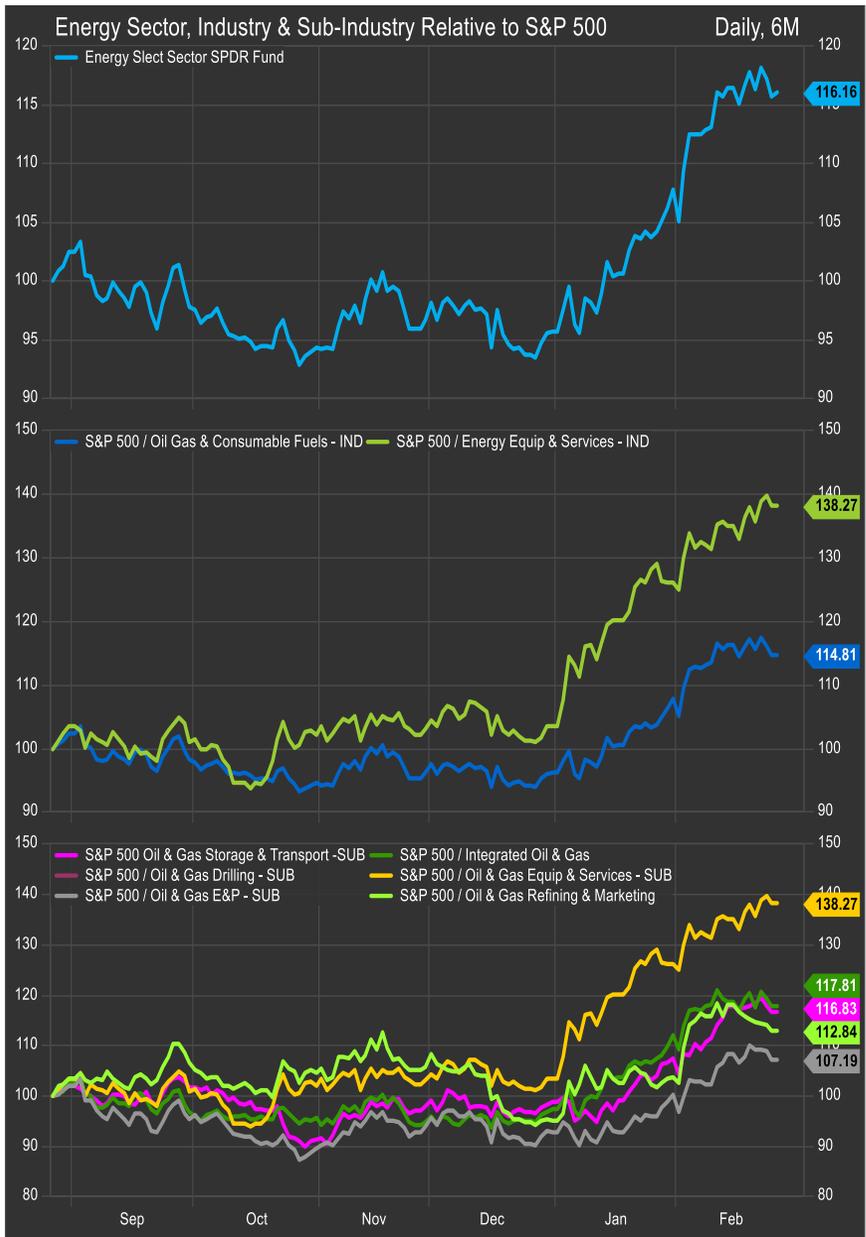


The chart (left) shows S&P 500 Energy Sector Margins, Debt/EBITDA, Valuation and Earnings

Margins have stabilized after several consecutive quarters of contractionary readings(chart, panel 2).

Valuation (chart, panel 3) has expanded steadily over the past 12-months. Notably, consensus earnings haven't shifted in any noticeable way. The market is sending a clear message as to what it thinks at this point.

# Industry/Sub-Industry Performance and Breadth: Energy



**Energy Industries** (chart, left): The entire sector continues to reflate in 2026. Refiners have been the first to start pulling back in the very near-term.

**Energy Sector Internals** (chart, right): The **short-term breadth series** is now just above the 30 level while the **longer-term series** have both touched the 90% level for most of February. This is where the buying pressure has been most evident. When the energy sector produces alpha, it is typically front-loaded.

# 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
TPL	Texas Pacific Land Corporation	Bullish Reversal	35,180.9	2.41	63.6	0.20	0.51	46.5
TRGP	Targa Resources Corp.	Bullish Reversal	49,469.0	0.91	29.4	1.42	0.89	20.2
BKR	Baker Hughes Company Class A	Bullish Reversal	64,047.6	0.97	28.1	0.97	1.02	20.1
OXY	Occidental Petroleum Corporation	Consolidation	50,240.4	1.56	15.4	1.27	0.27	15.0
WMB	Williams Companies, Inc.	Bullish Reversal	90,359.0	1.28	20.1	1.86	0.68	13.3
EOG	EOG Resources, Inc.	Consolidation	65,720.2	0.50	9.8	2.22	0.55	12.5
COP	ConocoPhillips	Bullish Reversal	134,469.5	0.85	17.2	2.00	0.18	12.2
MPC	Marathon Petroleum Corporation	Consolidation	58,848.9	0.60	5.0	1.33	1.01	11.6
KMI	Kinder Morgan Inc Class P	Bullish Reversal	72,906.9	0.95	17.9	2.39	0.77	11.4
CVX	Chevron Corporation	Bullish Reversal	367,589.9	1.04	16.5	2.56	0.46	11.0
XOM	Exxon Mobil Corporation	Bullish Reversal	621,097.8	0.85	22.6	1.83	0.06	10.6
DVN	Devon Energy Corporation	Bullish Reversal	26,424.4	0.51	13.8	2.01	0.51	9.8
CTRA	Coterra Energy Inc.	Bullish Reversal	22,683.5	0.55	12.5	1.95	0.31	8.5
FANG	Diamondback Energy, Inc.	Consolidation	48,070.4	0.65	9.6	1.60	0.34	8.4
PSX	Phillips 66	Bullish Reversal	60,877.0	0.54	10.1	2.15	1.14	7.7
APA	APA Corporation	Bullish Reversal	9,874.0	0.48	12.8	2.27	0.56	7.4
VLO	Valero Energy Corporation	Bullish Reversal	60,892.1	0.64	14.0	1.55	0.94	6.8
EQT	EQT Corporation	Consolidation	37,069.4	0.50	4.3	0.73	0.37	6.7
OKE	ONEOK, Inc.	Bullish Reversal	51,818.6	0.57	10.4	3.40	0.82	6.4
SLB	SLB Limited	Bullish Reversal	77,248.8	0.70	30.9	1.50	0.79	5.2
HAL	Halliburton Company	Bullish Reversal	29,540.3	0.62	28.9	1.31	0.80	3.3
EXE	Expand Energy Corporation	Consolidation	25,494.2	0.47	-6.1	1.46	0.24	-3.7

Prosperity at the stock level remains broad based.

Services names have been leadership while we find midstream exposures acting well in addition to offering their usual large dividend

For the second month in a row, almost every stock in the sector outperformed the S&P 500

## 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

# Economic & Policy Drivers: Energy Sector

February was a macro-dominated month for the S&P 500 Energy sector. Performance was shaped primarily by geopolitical risk repricing, tariff-policy uncertainty, inflation data, and cross-asset dynamics rather than fundamental earnings revisions. Crude oil remained range-bound in the mid-\$60s, reflecting a market balancing geopolitical supply risk against moderating growth signals and firm financial conditions.

## 1. Iran & the Geopolitical Risk Premium

The dominant Energy driver in February was evolving expectations around potential U.S. military engagement involving Iran. Markets repeatedly repriced the probability and timing of a limited strike as negotiations progressed.

The strategic importance of the Strait of Hormuz — which accounts for roughly **20% of global petroleum liquids consumption** — underpinned crude's sensitivity to headlines. Even modest changes in perceived disruption risk introduced volatility into oil markets and, by extension, Energy equities.

However, February's price action suggested the market was assigning a **probability-weighted premium**, not pricing confirmed supply impairment. In the absence of actual export disruption, the geopolitical premium proved episodic rather than trend-establishing. Energy outperformed during escalation phases but struggled to sustain leadership as diplomatic windows reopened.

## 2. Tariffs, Trade & Inflation Transmission

The Supreme Court ruling limiting tariff authority under IEEPA initially appeared to reduce trade uncertainty. That effect was short-lived. The administration's pivot toward alternative authorities — including signaling potential tariff levels near **15%** — reintroduced uncertainty through different channels.

For Energy, the impact of tariffs is indirect but material:

Trade friction supports inflation risk premia.

It raises uncertainty around global growth and demand.

It can reinforce dollar strength.

February's macro environment reflected that push-pull dynamic. Elevated policy uncertainty supported real-asset positioning at times, but without clear growth acceleration or dollar weakness, oil failed to break decisively higher.

## 3. Growth Moderation & Sticky Inflation

February's economic data reinforced a mixed macro backdrop:

**Q4 GDP:** 1.4% vs 1.9% consensus

**Core PCE:** +0.4% m/m; ~3.0% y/y

**Consumer confidence:** 91.2, modestly improved

**PMIs:** softened to multi-month lows

The combination of slowing growth momentum and persistent services inflation created a “slowdown without relief” environment. The Federal Reserve emphasized patience, and markets continued pricing roughly **50–55 bp of easing for 2026**, but near-term cuts appeared unlikely.

Treasury yields remained firm, with the 10-year holding near **4.03%–4.08%**, and the dollar index hovered around **97–98**. This stability in yields and USD limited sustained upside in crude despite geopolitical tension. Without easing financial conditions, oil struggled to move beyond headline-driven spikes.

## 4. Demand Signals & Earnings Context

Importantly, February did not produce recessionary signals. Earnings growth for the S&P 500 approached **~14% y/y**, labor-market conditions remained stable, and consumer confidence improved modestly.

However, manufacturing softness and slowing GDP reinforced the absence of demand acceleration. For Energy markets, that meant:

No collapse in demand expectations

No clear cyclical upturn in consumption forecasts

The demand backdrop was stable but not expansionary — consistent with range-bound oil pricing.

### Outlook for March 2026

Energy enters March positioned as a tactical macro hedge rather than a structural leadership theme. Three variables will determine direction:

**Iran risk probability** – confirmed escalation would likely push crude meaningfully above the mid-\$60s range, while extended diplomacy could compress the risk premium.

**Inflation trajectory** – with PPI expected at +0.3% m/m, sustained inflation firmness would support real-asset allocations.

**Rates and USD direction** – a break below 4% on the 10-year or sustained dollar weakness would improve the durability of crude rallies.

With Iran tensions presenting a potential supply shock, there's a potential tailwind behind Energy shares in addition to ambient inflows from rotation out of the Mega-Cap. Growth and AI-concept trade.

# 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.