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Monthly Insights: August Outlook

Energy Sector

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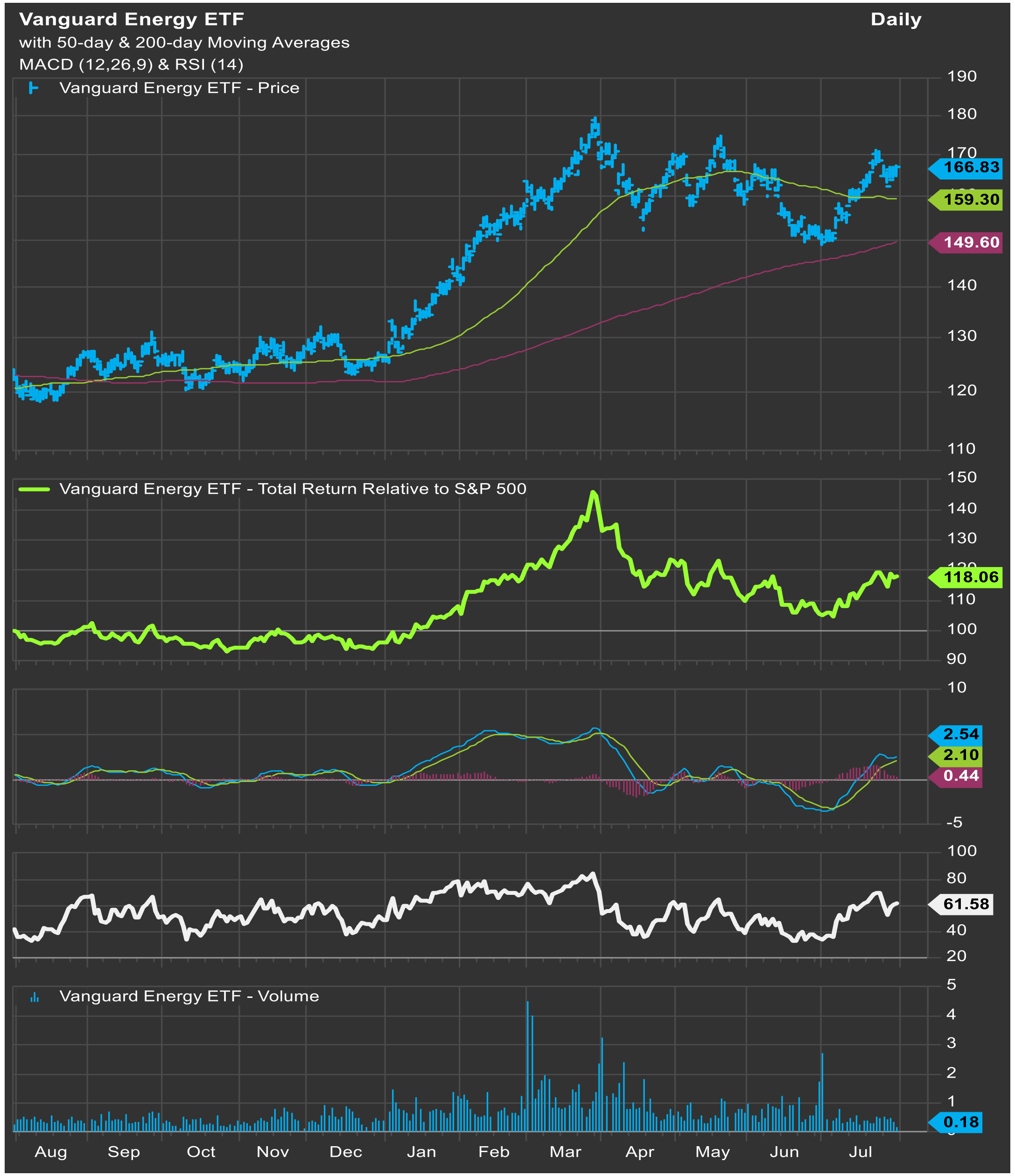
Sector Price Action & Performance Review: Energy



Energy enters August as a **tactical hedge sector with strong one-month price confirmation**. VDE's source proxy gained **11.0% over one month**, making Energy the best-performing Vanguard sector proxy in the updated model data. The move was driven by a renewed oil-price rebound, with WTI still near the mid-$80s and up sharply over the past month.

The industry-level signal is constructive but highly concentrated. **Oil, Gas & Consumable Fuels** did the heavy lifting, with refiners, integrated oil and E&P names leading. Phillips 66, Marathon Petroleum, Valero, Chevron, Occidental, Exxon, ConocoPhillips, Diamondback, EOG and APA all ranked in the top 10 Energy performers. The leadership list is a direct oil/refining/cash-flow list, not a defensive midstream list.

Energy Equipment & Services participated but did not lead. SLB and Baker Hughes posted positive one-month excess returns, but Halliburton remained negative, and the industry's average momentum score is still deeply negative. Services are improving as activity outside the Middle East remains resilient, but the stocks are not confirming leadership the way refiners and large oil producers are.

The macro hedge rationale remains active. Reuters' July poll showed analysts expecting oil prices to rise as Middle East supply disruptions persist, with continued shipping stress around Hormuz and Bab el-Mandeb linked to the U.S.-Iran conflict. The same backdrop keeps Energy useful as portfolio insurance even if the model score is not top tier.

The August outlook for Energy is **constructive as a tactical hedge**. The sector does not have the highest model score, but it has the strongest near-term hedge value. Oil has rebounded, commodities have firmed, inflation expectations are no longer falling cleanly, and Middle East supply-route risk remains active. That justifies keeping VDE above benchmark.

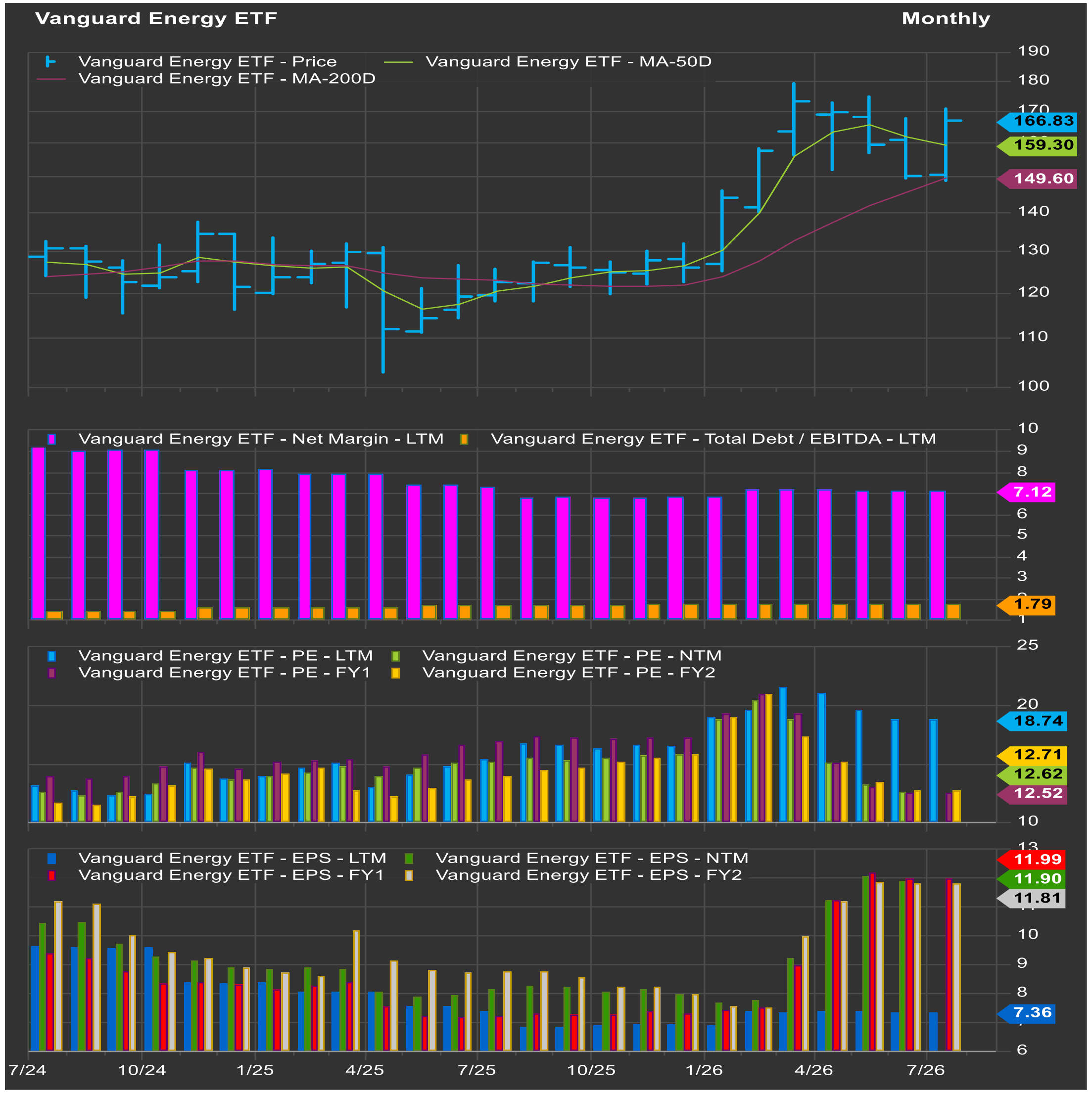
The best August opportunities are in **Refining & Marketing, Integrated Oil and select E&P**. Phillips 66, Marathon Petroleum, Valero, Chevron, Exxon, Occidental, ConocoPhillips, Diamondback, EOG and APA show the best combination of stock-level confirmation, valuation support and oil/refining leverage.

The weaker areas are **Energy Equipment & Services, gas-heavy exposure and midstream leadership**. SLB and Baker Hughes are improving, but Halliburton remains weak, and the industry still has negative average momentum. Midstream remains useful for income and cash flow but is not where the strongest hedge impulse is showing up.

The portfolio overlay is clear: **Energy is preferred over Materials as the commodity/inflation hedge**, and Consumer Staples is the primary funding source. If oil risk fades, the Energy overweight can be reduced. If oil spikes, VDE protects the portfolio better than defensive yield or broad Materials exposure.

We start August long the Energy Sector with an overweight position of 2.10% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

Fundamentals: Energy Sector



Energy has one of the strongest near-term earnings backdrops in the S&P 500. FactSet's Q2 Energy preview showed the sector expected to report the highest year-over-year earnings growth rate of all 11 sectors at **122.9%**, up from **48.2%** expected on March 31. Estimated dollar-level earnings increased **50.4%** during the quarter to **$52.3B**, helped by an average Q2 WTI price of **$92.55**, roughly **45%** above the Q2 2025 average of **$63.68**. (insight.factset.com)

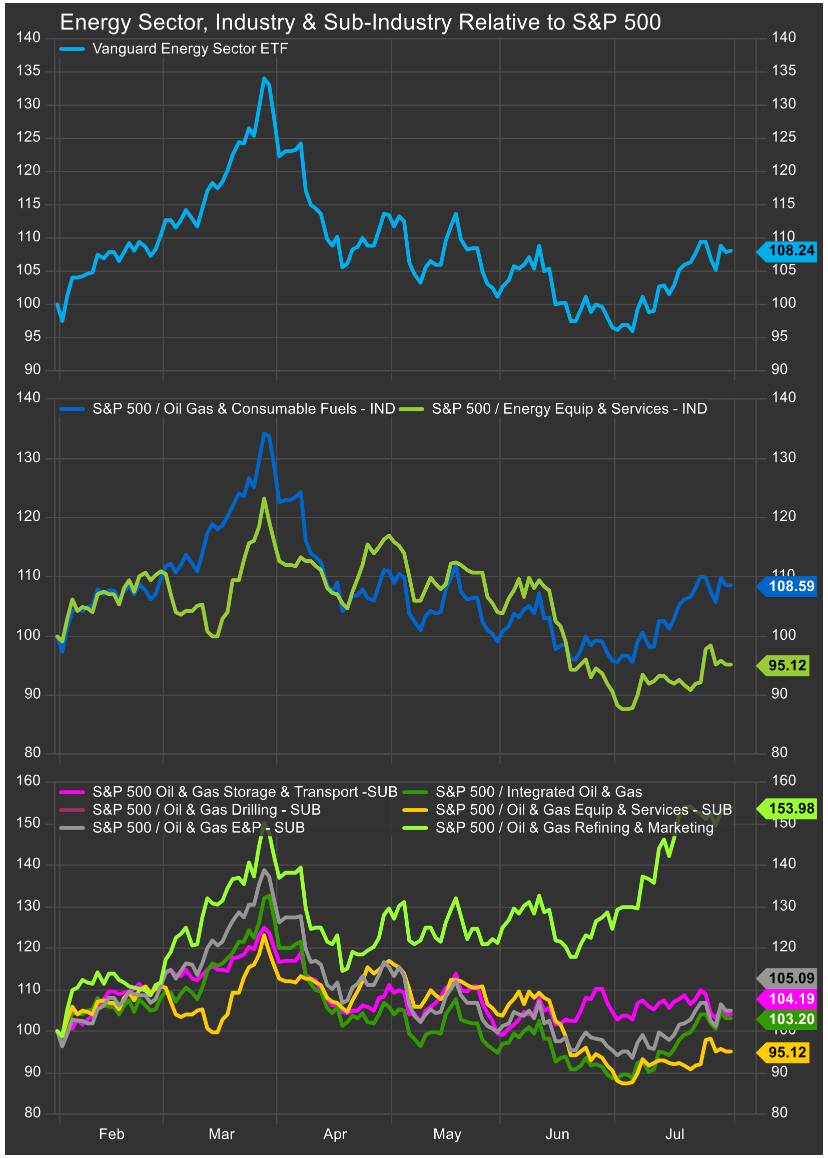
The sub-industry earnings setup supports the stock table. FactSet expected **Oil & Gas Refining & Marketing** earnings growth of **231%**, **Integrated Oil & Gas** growth of **160%**, **Exploration & Production** growth of **106%**, and **Storage & Transportation** growth of **7%**. The only weak sub-industry was **Oil & Gas Equipment & Services**, expected to decline **19%** year over year. That explains why refiners and integrated/E&P names are leading while services are still lagging. (insight.factset.com)

Big Oil earnings are confirming the cash-flow story. Exxon reported Q2 profit of **$14.7B**, its highest in four years, helped by elevated oil prices and refining margins, though EPS missed expectations. Chevron and Exxon together earned roughly **$27B** in Q2, underscoring the magnitude of the sector's cash-flow rebound. (reuters.com)

The forward risk is that Q2 may represent peak earnings momentum if crude supply normalizes. FactSet expects Energy earnings growth to slow over the next several quarters, with Q3, Q4 and Q1 2027 growth still positive but decelerating, followed by an expected decline in Q2 2027. That means Energy should be treated as an active hedge and cash-flow allocation, not a set-and-forget growth overweight.

ETF	Price	1D	1W	1M	3M	6M	RSI
VOO	$741.69	+1.7%	+0.5%	-0.7%	+4.2%	+6.7%	49.2
VDE	$58.96	+0.5%	-0.7%	+11.0%	-0.1%	+17.8%	60.7

Industry/Sub-Industry Performance and Model Scores



Indicator	Latest Reading	July Message	Investment Interpretation
Elev8 Energy score	**2**	Modest positive	Model score alone is not a top-tier overweight signal.
Elev8 Energy rank	**5 / 11**	Middle-upper	Energy ranks behind Financials, Technology, Industrials and Real Estate.
Elev8 pattern	**Consolidation**	Stabilizing	Sector has improved but is not in a clean breakout.
VDE Elev8 weight	**5.5%**	Overweight	Portfolio keeps Energy above benchmark.
VDE active weight	**+2.1%**	Tactical hedge	Active exposure protects against oil, inflation and Middle East risk.
VDE 1M return	**+11.0%**	Strong leadership	Energy led the sector table over the past month.
VDE 3M return	**-0.1%**	Flat	The intermediate trend is still recovering.
VDE 6M return	**+17.8%**	Strong	Longer-term hedge profile remains intact.
VDE RSI	**60.7**	Healthy	Positive momentum without an extreme overbought signal.
WTI crude	**$83.59**	Strong rebound	Oil remains the key macro driver.
Bloomberg Commodity Index	**132.13**	Broad rebound	Commodity pressure has returned after the June relief period.

Top 10/Bottom 10 Stock Level Performers: Energy

Symbol	Company	Sector	Industry	Pattern	1M Excess	Valuation Rel.	Momentum	Div Yield Rel.	Beta
PSX	Phillips 66	Energy	Oil, Gas & Consumable Fuels	Bullish Reversal	+25.3%	0.55	23.3	1.71	0.57
MPC	Marathon Petroleum	Energy	Oil, Gas & Consumable Fuels	Bullish Reversal	+23.6%	0.48	33.3	0.92	0.23
VLO	Valero Energy	Energy	Oil, Gas & Consumable Fuels	Bullish Reversal	+20.5%	0.52	29.6	1.11	0.20
CVX	Chevron	Energy	Oil, Gas & Consumable Fuels	Retracement	+16.8%	0.75	4.1	2.64	-0.06
OXY	Occidental Petroleum	Energy	Oil, Gas & Consumable Fuels	Consolidation	+16.0%	0.64	2.8	1.28	-0.41
XOM	Exxon Mobil	Energy	Oil, Gas & Consumable Fuels	Retracement	+15.6%	0.75	5.1	1.89	-0.44
COP	ConocoPhillips	Energy	Oil, Gas & Consumable Fuels	Consolidation	+15.3%	0.68	2.1	2.03	-0.39
FANG	Diamondback Energy	Energy	Oil, Gas & Consumable Fuels	Consolidation	+14.4%	0.59	4.5	1.55	0.05
EOG	EOG Resources	Energy	Oil, Gas & Consumable Fuels	Consolidation	+13.7%	0.49	9.3	2.02	-0.13
APA	APA Corp.	Energy	Oil, Gas & Consumable Fuels	Bullish Reversal	+13.1%	0.41	3.4	1.97	-0.45

The top 10 Energy list is a **refining, integrated oil and E&P rebound list**. Phillips 66, Marathon Petroleum and Valero all have Bullish Reversal patterns, while Chevron, Exxon, Occidental, ConocoPhillips, Diamondback, EOG and APA confirm that investors are buying direct oil-price and refining-margin leverage.

Refining is the cleanest industry read-through. Valero reported a major Q2 profit jump on strong refining margins and product-market tightness, while the stock file shows Valero, Marathon Petroleum and Phillips 66 all leading the sector.

The top table has three positive features. First, the strongest stocks are tied directly to oil, refined products and upstream cash flow. Second, valuation is still attractive: every top-10 Energy name trades below the index valuation multiple. Third, dividend-yield multiples remain above the index for most of the group, which gives Energy both hedge value and income support.

The risk is that several large integrated and E&P names are still in Consolidation or Retracement rather than clean uptrends. That is consistent with Energy's sector pattern. The sector is investable and useful, but it is not a broad momentum breakout yet.

Top 10/Bottom 10 Stock Level Performers: Energy

Symbol	Company	Sector	Industry	Pattern	1M Excess	Valuation Rel.	Momentum	Div Yield Rel.	Beta
HAL	Halliburton	Energy	Energy Equipment & Services	Retracement	-6.9%	0.60	-18.3	1.56	0.41
TPL	Texas Pacific Land	Energy	Oil, Gas & Consumable Fuels	Consolidation	-5.7%	2.15	-7.7	0.44	-0.09
WMB	Williams Companies	Energy	Oil, Gas & Consumable Fuels	Bullish Reversal	-5.0%	1.46	-4.7	2.15	0.34
TRGP	Targa Resources	Energy	Oil, Gas & Consumable Fuels	Uptrend	-0.9%	1.15	6.9	1.34	0.42
KMI	Kinder Morgan	Energy	Oil, Gas & Consumable Fuels	Bullish Reversal	+0.3%	1.07	-0.5	2.72	0.31
EQT	EQT Corp.	Energy	Oil, Gas & Consumable Fuels	Support	+2.7%	0.65	-8.3	0.91	-0.08
OKE	ONEOK	Energy	Oil, Gas & Consumable Fuels	Consolidation	+3.0%	0.77	2.9	3.49	0.31
BKR	Baker Hughes	Energy	Energy Equipment & Services	Consolidation	+5.9%	1.08	-7.1	1.12	0.90
SLB	SLB	Energy	Energy Equipment & Services	Consolidation	+7.2%	0.85	-5.8	1.74	0.63
EXE	Expand Energy	Energy	Oil, Gas & Consumable Fuels	Downtrend	+7.2%	0.54	-7.3	1.81	-0.16

The bottom table is not broadly bearish because several “laggards” still posted positive one-month excess returns. The main warning is that midstream, gas-linked exposure and Energy Equipment & Services are not leading the oil rebound.

Halliburton is the clearest weak services stock, with a **-6.0%** one-month excess return, Retracement pattern and deeply negative momentum score. The company reported Q2 revenue of **$5.7B**, adjusted EPS of **$0.55**, and free cash flow of **$668M**, but the market remains cautious on oilfield-services cyclicality and Middle East disruption.

The bottom table tells us how to implement the Energy overweight. Midstream and gas-linked names have attractive dividend support, but they lagged the direct oil/refining rebound. Williams, Kinder Morgan and ONEOK remain useful income/cash-flow names, but they are not the current leadership sleeve.

Energy Equipment & Services is improving but still lower conviction. SLB reported Q2 revenue of **$8.97B**, up **3% sequentially** and **5% year over year**, but adjusted EPS was down **26%** year over year. Baker Hughes had a stronger backlog story, with Q2 orders of **$10.5B** and record IET remaining performance obligations, helped by data-center, gas infrastructure and upstream markets.

Economic & Policy Drivers: Energy Sector

Oil, Gas & Consumable Fuels

Oil, Gas & Consumable Fuels is the preferred Energy industry for August. The group has the strongest stock-level confirmation, the best hedge value and the cleanest earnings leverage to higher oil and refining margins. The top performers are refiners, integrated oil and E&P names rather than midstream.

Geopolitical risk remains central. Reuters' July 31 poll showed oil prices are expected to rise as Middle East supply disruptions persist, with analysts pointing to shipping stress around Hormuz and Bab el-Mandeb. That supports the tactical hedge case for VDE even though Energy's model score is not top tier. (reuters.com)

August read: preferred industry. Favor refiners, integrated oil and select E&P as the best expression of the Energy hedge.

Refining & Marketing

Refining is the strongest sub-industry signal. FactSet expected **231%** earnings growth for Oil & Gas Refining & Marketing, the strongest sub-industry growth rate in Energy. Valero's profit beat and refining-margin strength confirm the stock-level leadership in VLO, MPC and PSX. (insight.factset.com)

August read: preferred within Energy. Refiners have the strongest combination of price action, earnings leverage and product-market support.

Integrated Oil and E&P

Integrated Oil and E&P are back in favor. Chevron, Exxon, ConocoPhillips, Occidental, EOG, Diamondback and APA all delivered strong excess returns. FactSet expected Integrated Oil & Gas earnings growth of **160%** and Exploration & Production growth of **106%**, supporting the industry's rebound. (insight.factset.com)

The risk is that Q2 cash flow may be closer to peak-cycle than early-cycle if oil supply normalizes. That is why the position should be monitored actively rather than treated as a structural long-duration growth overweight.

August read: constructive. Stay long while oil and geopolitical risk remain active; reassess if crude momentum fades.

Midstream / Storage & Transportation

Midstream has dividend support but weaker near-term leadership. Williams, Kinder Morgan, ONEOK and Targa are not breaking down, but they lagged the refining and integrated oil rebound. FactSet expected Storage & Transportation earnings growth of only **7%**, far below refining, integrated oil and E&P. (insight.factset.com)

August read: useful income/cash-flow sleeve, but not the preferred Energy overweight expression.

Energy Equipment & Services

Energy Equipment & Services is lower conviction. FactSet expected the sub-industry to report a **19%** year-over-year earnings decline, and the stock file shows weaker momentum than Oil, Gas & Consumable Fuels. Halliburton remains in retracement, while SLB and Baker Hughes are improving but still not leading. (insight.factset.com)

Baker Hughes is the better services read-through because gas infrastructure, data centers and upstream markets are supporting orders and backlog. SLB and Halliburton still need stronger activity and margin confirmation before the industry becomes leadership. (investors.bakerhughes.com)

August read: selective. Favor gas infrastructure and technology exposure over traditional services beta.

Natural Gas / LNG

Natural gas and LNG remain positive longer-term themes, especially for Baker Hughes-style equipment, midstream infrastructure and LNG-linked exposure. EIA's July STEO remains the baseline source for oil, natural gas and LNG assumptions, but the Energy equity market is currently rewarding oil and refining exposure more than gas-heavy names. (eia.gov)

August read: constructive long term, but less compelling near term than oil/refining exposure.

What Shaped the Energy Narrative in July

July's Energy narrative was **oil hedge revival**. In June, the market had started treating oil risk as fading; by late July, higher crude, persistent Middle East supply disruption and renewed inflation concern brought Energy back into the portfolio discussion. VDE's source proxy was the best-performing Vanguard sector proxy in the updated model data.

The second narrative was **refining strength**. Valero, Marathon Petroleum and Phillips 66 led the sector because product-market tightness and refining margins remain powerful earnings drivers. This is the cleanest part of the Energy tape and the strongest reason to prefer refiners within the Energy overweight. (reuters.com)

The third narrative was **cash-flow discipline from integrated oil and E&P**. Exxon and Chevron's Q2 profit strength confirms that higher oil and refining margins are flowing through to earnings, but companies remain focused on balance-sheet strength, dividends and buybacks rather than aggressive production growth. (reuters.com)

The fourth narrative was **services lagging the commodity rebound**. SLB, Halliburton and Baker Hughes are participating, but the group has not matched the leadership from refiners and integrated/E&P. That means Energy exposure should be weighted toward oil-linked cash flow rather than upstream service cyclicality.

Appendix: Sources (all chart sourced from FactSet Research Systems Inc.)

- **ETFInsight / Myrtle Tree Investment Research** Macro Technical Model, July 29, 2026 — SPDR proxy return streams, Energy price pattern, sector scores, macro regime readings, WTI, commodities, real yields, breakevens, volatility and breadth indicators.
- **Elev8 Sector Rotation Model Positions**, July 30, 2026 — Vanguard sector ETF implementation weights, benchmark weights, active weights and tactical overlay positioning.
- **20260730_SP50_Stock_Data.xlsx** — S&P 500 Energy stock-level 1-month excess return, industry classification, chart pattern, valuation multiple relative to index, momentum score, dividend-yield multiple relative to index and beta.
- **20260629_SP500_Insight.pptx** — prior monthly report structure, slide flow, recurring tables and tone reference.
- **FactSet** S&P 500 Energy Sector Earnings Preview, Q2 2026 — Energy earnings-growth expectations, sub-industry earnings estimates, oil-price assumptions, estimate revisions and forward earnings path.
- **EIA** Short-Term Energy Outlook, July 2026 — global oil production assumptions, inventory outlook, Brent forecast, U.S. crude production, natural gas prices and LNG export forecasts.
- **Reuters**: Oil jumps on escalating Middle East airstrikes, July 29, 2026 — oil-price surge, WTI level, U.S. crude inventory draw, Middle East escalation and supply-route risk.
- **Reuters**: Mideast oil faces bleak new order as Iran's grip on Hormuz tightens, July 30, 2026 — Strait of Hormuz disruption, export-route risk, shipping costs and geopolitical energy-market stress.
- **Reuters**: OPEC+ approves further oil output increase as Hormuz exports start to recover, July 5, 2026 — August production-target increase, OPEC+ supply policy and Hormuz export recovery.
- **Reuters**: OPEC+ likely to pause oil output hikes after September, July 28, 2026 — expected pause in output increases, remaining OPEC+ cuts and quota negotiation backdrop.
- **Reuters**: Valero Energy beats quarterly profit estimates on higher refining margins, July 30, 2026 — refining margins, record profit, throughput, renewable diesel rebound and shareholder returns.
- **Reuters**: Exxon signals Q2 profit windfall as higher oil prices boost bottom line, July 7, 2026 — upstream earnings sensitivity, oil-price benefit, refining-margin improvement and integrated oil read-through.
- **SLB** Q2 2026 Earnings Release, July 24, 2026 — revenue, EPS, EBITDA, cash flow, dividend and oilfield-services operating backdrop.
- **Halliburton** Q2 2026 Earnings Release, July 21, 2026 — revenue, adjusted EPS, operating margin, free cash flow and share repurchases.
- **Baker Hughes** Q2 2026 Earnings Release, July 26, 2026 — orders, IET backlog, revenue, EBITDA, free cash flow and gas infrastructure / upstream demand commentary.

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

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

Momentum

Long higher scores, short lower scores

Momentum (simple mean)

1-Month Excess Total Return (vs. S&P 500) * 0.2

Plus

3-Month Excess Total Return (vs. S&P 500) * 0.5

Plus

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