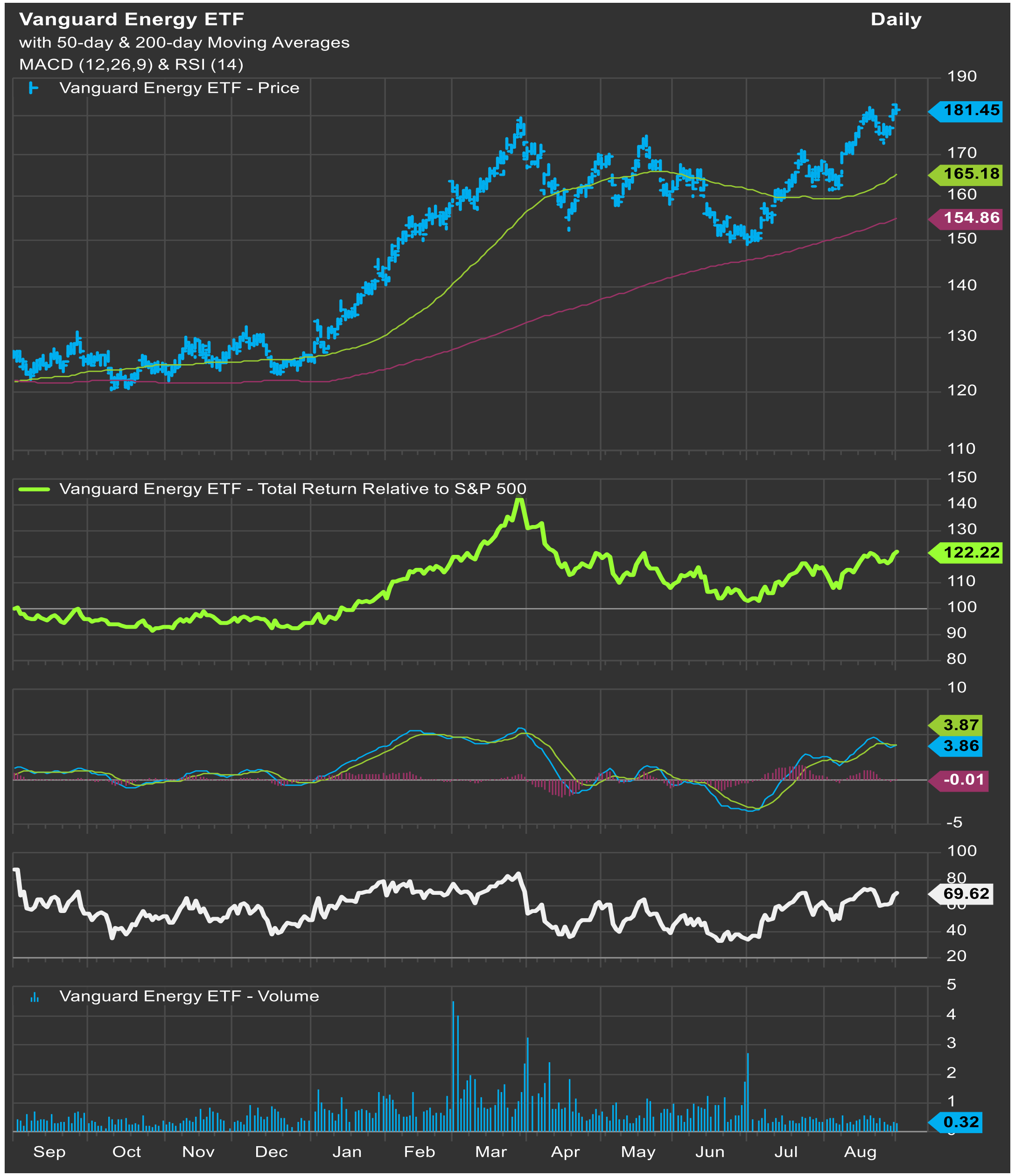
ETFSector.com
Monthly Insights: September Outlook
Energy Sector

Patrick Torbert, CMT

Editor & Chief Strategist

Sector Price Action & September Outlook: Energy



September setup. Energy (VDE) enters the month as the cleanest inflation and oil-supply hedge in the sector deck. VDE gained +7.3% over one month, +11.3% over three months and +12.0% over six months, outpacing the S&P 500 (VOO) and pushing the sector's RSI to 67.7.

Model message. The ETFSector.com Macro Model ranks Energy (VDE) tied for first with a +1.0 final score and an Overweight stance. The key driver is +10.1% 63-day relative strength versus the S&P 500 (VOO); the regime tilt and MRI overlay are neutral, so price confirmation is doing most of the work.

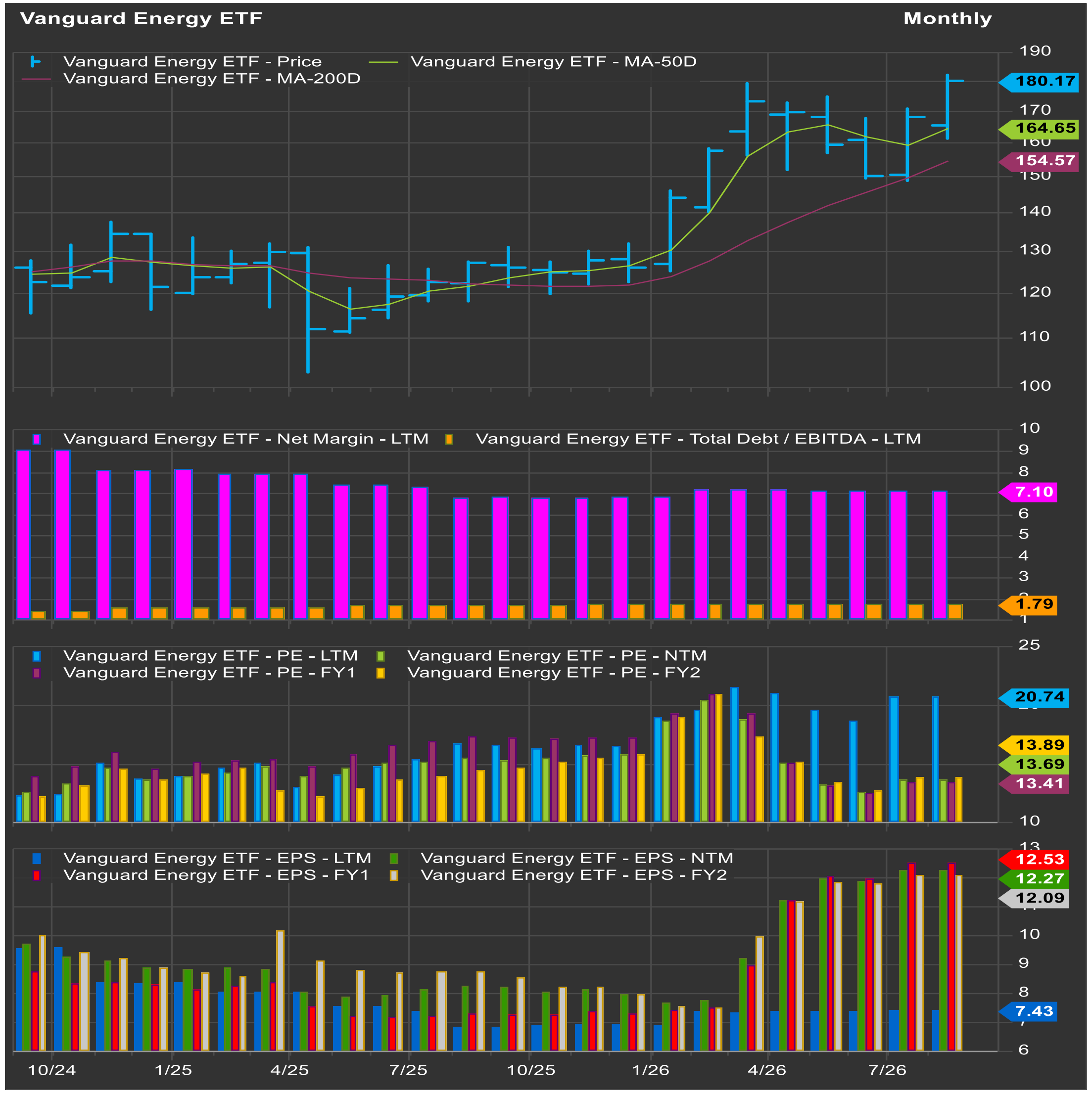
Stock evidence. The stock file supports the overweight: 76% of Energy names produced positive one-month excess return and 95% are above their 50-day average. Leadership broadened from refiners into services, with SLB (SLB) +18.5% excess, Marathon Petroleum (MPC) +15.6%, Phillips 66 (PSX) +14.4% and Valero (VLO) +12.0%.

September pivots. The key events are weekly EIA inventory data, OPEC+ supply guidance, any renewed Hormuz or Bab el-Mandeb shipping disruption, Gulf Coast refinery/weather risk, and the September 10–11 PPI/CPI reports ahead of the September 15–16 FOMC. Hotter inflation or tighter product supply helps Energy (VDE); a fast crude reversal would reduce the hedge premium.

Investment narrative. High oil prices help refiners, integrated oil, E&P and selected services, but they hurt fuel-sensitive consumer and transport industries. That makes Energy (VDE) a useful portfolio hedge against inflation, geopolitical risk and resource demand, while Consumer Discretionary (VCR), airlines, cruise lines, trucking and low-margin retailers are the natural funding sources.

Portfolio view. Stay overweight Energy (VDE), but do not chase every spike. The best September expression is a barbell of refining/product-market leverage, integrated cash flow and selective services tied to power, LNG and data-center infrastructure. Reduce the overweight only if crude loses momentum or September data breaks the inflation hedge case.

Fundamentals and September Earnings Setup: Energy



Earnings are confirming the hedge. Energy (VDE) has the strongest earnings revision story in the S&P 500 (VOO). FactSet's latest Earnings Insight showed Energy Q2 earnings growth of 146.3% and revenue growth of 42.4%, the largest sector-level revenue growth upgrade since the end of June.

Sub-industry evidence matters. The growth is not evenly distributed. FactSet reported Q2 year-over-year earnings growth of 327% for Refining & Marketing, 176% for Integrated Oil & Gas, 115% for Exploration & Production and 19% for Storage & Transportation, while Equipment & Services still declined 9%. That maps cleanly to the stock table: refiners and integrated oil are core holdings; services require more selectivity.

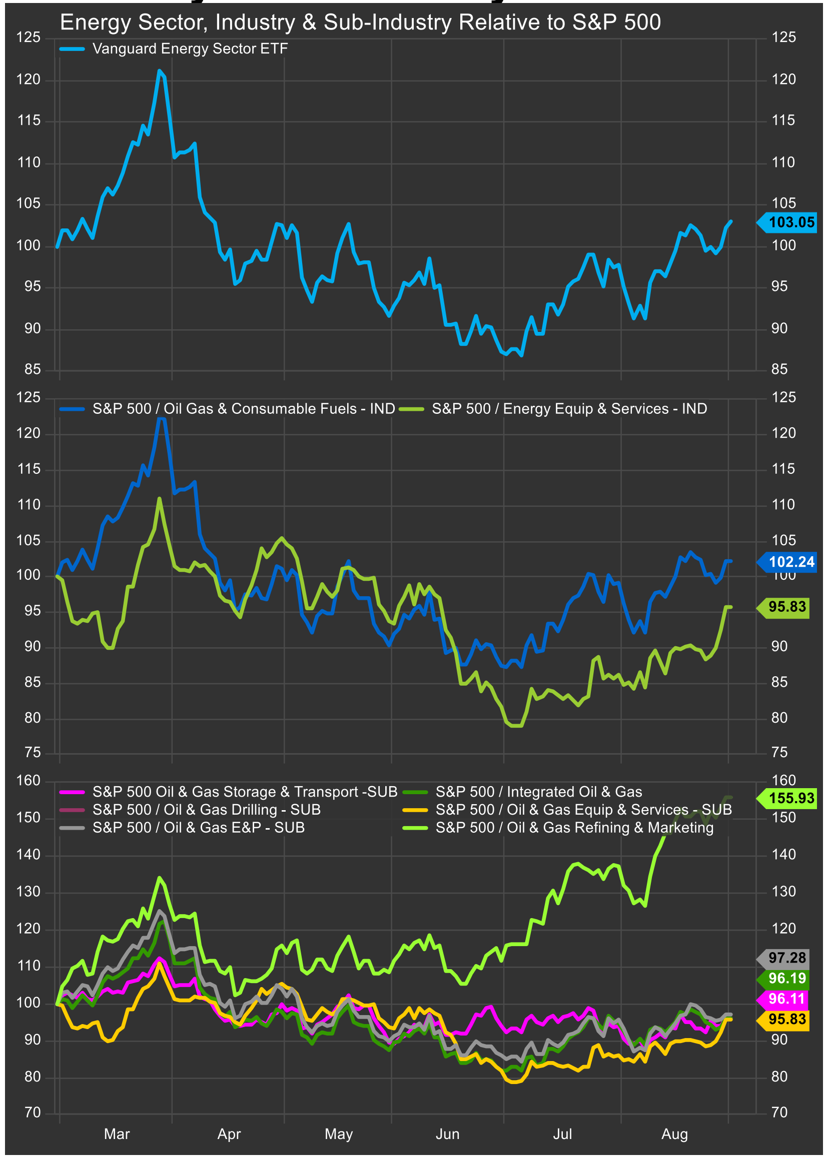
Cash flow is visible. Exxon (XOM) reported $14.5B of Q2 earnings, $23.6B of operating cash flow and $17.2B of free cash flow, while Valero (VLO) reported $3.7B of net income and $4.4B of adjusted refining operating income. Those numbers explain why investors are rewarding direct oil, product-margin and shareholder-return exposure.

Services are no longer just drilling beta. SLB (SLB) has become a cleaner services leader after strong free cash flow and a new data-center cooling acquisition, while Baker Hughes (BKR) has a stronger gas infrastructure, LNG and power backlog story. Halliburton (HAL) rebounded in the stock file, but its Sell rating and Consolidation pattern make it more tactical.

September risk. The fundamental risk is not a weak current quarter; it is peak-cycle optics. If crude holds the mid-$80s and product markets stay tight, Energy (VDE) keeps its September hedge value. If supply normalizes faster than expected, the sector's earnings-growth rate should decelerate sharply into 2027, so position sizing should remain active.

ETF	Price	1D	1W	1M	3M	6M	RSI
VOO	$767.05	-0.3%	+0.5%	+2.7%	+1.1%	+11.8%	54.0
VDE	$180.17	+2.0%	+1.3%	+7.3%	+11.3%	+12.0%	67.7

Industry/Sub-Industry Performance and Macro Model Scores



Indicator	Latest Reading	September Message	Investment Interpretation
Macro Model rank	T-1 / 11	Top tier	Energy (VDE) is tied with Health Care (VHT) and Financials (VFH) for the top model rank.
Final score / stance	+1.0 / Overweight	Positive	Energy gets a positive signal from relative strength; regime tilt and MRI overlay are neutral.
63D RS vs S&P 500	+10.1%	Strong	The sector has clear three-month confirmation versus the S&P 500 (VOO).
Regime tilt	+0.0	Neutral	The Mixed / Transition regime is not forcing a commodity overweight; price action is leading.
MRI overlay	+0.0	Neutral	The Macro Regime Index is Constructive, but not aggressive enough to add a bonus overlay.
Risk Gauge	71.0% / Constructive	Constructive	Supports cyclical hedge exposure while leaving room for event-risk volatility.
Inflation Gauge	72.2% / High	High	Keeps inflation-sensitive sectors and oil cash-flow exposure in favor.
VDE trend	+7.3% / +11.3% / +12.0%	Confirmed	Short- and intermediate-term returns confirm the Energy (VDE) overweight.
VDE RSI	67.7	Near overbought	Momentum is healthy but less attractive for chasing after a sharp move.
WTI / BCOM	$85.76 / 141.4	Resource bid	WTI is +20.4% over six months and BCOM is +7.1% over one month, supporting the hedge case.
Stock breadth	76% positive / 95% >50DMA	Broad support	Stock-level participation is strong enough to support sector overweight, not just one mega-cap trade.

ETFSector.com Macro Model inputs use Vanguard ETF references; charts remain sourced from FactSet Research Systems Inc.

Top 10 Stock Level Performers: Energy

Symbol	Company	Sector	Industry	Pattern	1M Excess	Valuation Rel.	Momentum	Div Yield Rel.	Beta
SLB	SLB	Energy	Energy Equipment & Services	Bullish Reversal	+18.5%	1.05	11.1	1.48	0.55
MPC	Marathon Petroleum	Energy	Oil, Gas & Consumable Fuels	Uptrend	+15.6%	0.48	44.5	0.80	0.13
PSX	Phillips 66	Energy	Oil, Gas & Consumable Fuels	Uptrend	+14.4%	0.53	33.8	1.51	0.44
APA	APA	Energy	Oil, Gas & Consumable Fuels	Bullish Reversal	+12.9%	0.47	19.0	1.68	-0.56
VLO	Valero	Energy	Oil, Gas & Consumable Fuels	Uptrend	+12.0%	0.53	39.3	0.99	0.12
HAL	Halliburton	Energy	Energy Equipment & Services	Consolidation	+11.5%	0.70	-1.6	1.37	0.37
COP	ConocoPhillips	Energy	Oil, Gas & Consumable Fuels	Bullish Reversal	+8.0%	0.71	11.3	1.85	-0.49
TRGP	Targa	Energy	Oil, Gas & Consumable Fuels	Uptrend	+5.9%	1.26	11.4	1.26	0.42
DVN	Devon	Energy	Oil, Gas & Consumable Fuels	Consolidation	+4.8%	0.49	5.6	1.73	-0.12
OKE	ONEOK	Energy	Oil, Gas & Consumable Fuels	Bullish Reversal	+4.3%	0.81	9.6	3.32	0.28

The top 10 Energy list is now a broader oil-and-infrastructure rebound, not just refiners. SLB (SLB) leads the sector with +18.5% one-month excess return, supported by stronger services cash flow and a clearer data-center / cooling growth angle. Refiners remain core leaders: Marathon Petroleum (MPC), Phillips 66 (PSX) and Valero (VLO) all have Uptrend patterns and valuation multiples well below the S&P 500 (VOO).

The industry read-through is still constructive. Refining & Marketing has the best earnings leverage to tight product markets, Integrated Oil provides balance-sheet and dividend support, and select E&P names benefit from high crude without needing aggressive production growth.

The evidence layer is strong: eight of the top 10 trade below the index valuation multiple, most carry Buy or Strong Buy ratings, and the leading refiners combine positive momentum with dividend support. That makes the Energy (VDE) overweight easier to justify even after the sector's sharp late-summer rebound.

The watchpoint is crowding. The strongest stocks are now much extended versus their 50-day averages, so new money should favor pullbacks in leaders rather than chase every oil-price spike.

Bottom 10 Stock Level Performers: Energy

Symbol	Company	Sector	Industry	Pattern	1M Excess	Valuation Rel.	Momentum	Div Yield Rel.	Beta
TPL	Texas Pacific Land	Energy	Oil, Gas & Consumable Fuels	Retracement	-9.7%	2.03	-14.2	0.48	-0.08
EOG	EOG	Energy	Oil, Gas & Consumable Fuels	Consolidation	-5.2%	0.49	3.6	2.07	-0.22
FANG	Diamondback	Energy	Oil, Gas & Consumable Fuels	Consolidation	-3.4%	0.54	1.7	1.59	-0.03
KMI	Kinder Morgan	Energy	Oil, Gas & Consumable Fuels	Consolidation	-1.6%	1.08	-1.7	2.75	0.32
EQT	EQT	Energy	Oil, Gas & Consumable Fuels	Retracement	-0.7%	0.70	-6.3	0.89	-0.09
XOM	Exxon	Energy	Oil, Gas & Consumable Fuels	Bullish Reversal	+1.5%	0.75	4.3	1.88	-0.48
WMB	Williams	Energy	Oil, Gas & Consumable Fuels	Consolidation	+2.2%	1.51	0.7	2.09	0.35
EXE	Expand Energy	Energy	Oil, Gas & Consumable Fuels	Consolidation	+2.3%	0.57	-1.0	1.71	-0.17
OXY	Occidental	Energy	Oil, Gas & Consumable Fuels	Consolidation	+2.7%	0.67	3.8	1.23	-0.49
BKR	Baker Hughes	Energy	Energy Equipment & Services	Bullish Reversal	+2.7%	1.13	-3.0	1.07	0.84

The bottom 10 is not a classic breakdown list. Several laggards still posted positive one-month excess return, which means Energy breadth is healthy; the caution is more about implementation than sector avoidance.

The weakest sleeve is mineral/royalty, gas-linked, midstream and slower E&P exposure. Texas Pacific Land (TPL), EOG (EOG), Diamondback (FANG), Kinder Morgan (KMI) and EQT (EQT) lagged the refining/services rebound. These stocks can still work as cash-flow or commodity-beta holdings, but they are not where September leadership is strongest.

Integrated oil is a defensive core but not the highest-beta expression. Exxon (XOM) and Chevron (CVX) have strong cash-flow fundamentals, but they lagged the refiners because investors are paying more for product-market tightness and higher sensitivity to near-term crude/refining margins.

Baker Hughes (BKR) remains a constructive long-term resource-demand and gas-infrastructure name, but its shorter-term excess return lagged SLB (SLB). For September, the better services setup is selective: own the companies with evidence of orders, free cash flow and power/LNG/data-center exposure rather than broad services beta.

Economic & Policy Drivers: Energy Sector

September pivot calendar. Energy (VDE) should trade around four pivots: weekly EIA inventories/refinery runs, OPEC+ supply discipline, geopolitical shipping risk in Hormuz/Bab el-Mandeb, and the September 10–11 PPI/CPI reports ahead of the September 15–16 FOMC. A hotter inflation sequence keeps the Energy hedge bid alive; softer inflation with lower crude would reduce the premium.

Oil and supply risk. EIA's September STEO expects reduced shipments through the Strait of Hormuz to keep global inventories tight and Brent near $85/bbl in 3Q26, while IEA's September oil report pointed to a larger 3Q deficit and product-market stress. Reuters reported on September 1 that renewed U.S.-Iran fighting lifted Brent above $92 and WTI near $88, with diesel margins under pressure from supply disruptions. That is the macro backdrop for refiners and integrated oil.

Refining & marketing. This remains the preferred Energy industry for September. Product tightness and high diesel/gasoline cracks help Valero (VLO), Marathon Petroleum (MPC) and Phillips 66 (PSX). The risk is policy intervention around gasoline/diesel prices or a refinery restart cycle that compresses margins, but the stock and earnings evidence still favor this sleeve.

Integrated oil and E&P. Exxon (XOM), Chevron (CVX), ConocoPhillips (COP), APA (APA), Occidental (OXY) and Devon (DVN) benefit from high oil prices, disciplined capital spending and shareholder returns. They are less explosive than refiners but useful for balance-sheet quality, dividends and durable cash flow if oil stays elevated.

Services, LNG and AI infrastructure. SLB (SLB), Baker Hughes (BKR) and Halliburton (HAL) are helped by upstream activity, LNG infrastructure and the power/cooling needs created by data-center buildout. Baker Hughes has the strongest gas/LNG backlog signal; SLB now has a clearer data-center cooling angle. Halliburton needs better breadth in traditional services demand to become more than a tactical rebound.

Cross-sector impact. Rising inflation and high oil prices help Energy (VDE) and parts of Materials (VAW), but they are headwinds for Consumer Discretionary (VCR), transports, airlines, cruise lines and low-margin retailers. AI and resource demand add a second tailwind: electricity, cooling, gas infrastructure and fuels demand make Energy part of the AI supply chain, not just a commodity hedge.

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

ETFSector.com Macro Model workbook, data through August 31, 2026 — Macro Regime Index, Risk Gauge, Inflation Gauge, sector ranking model and Vanguard ETF proxy return streams.

FactSet / ETFSector.com 20260901_SP50_Stock_Data.xlsx — S&P 500 Energy stock-level excess return, industry classification, chart pattern, valuation multiple relative to index, momentum score, dividend-yield multiple and beta.

FactSet Earnings Insight, August 28, 2026 — Energy Q2 earnings and revenue growth, sub-industry earnings growth, revenue surprises and S&P 500 earnings breadth.

FactSet S&P 500 Energy Sector Earnings Preview, July 14, 2026 — Energy sector estimate revisions, WTI assumptions and sub-industry earnings expectations.

U.S. Energy Information Administration, Short-Term Energy Outlook, August 2026 — Brent forecast, crude inventories, LNG exports, Henry Hub assumptions and electricity demand from data centers.

International Energy Agency, Oil Market Report, August 2026 — 3Q26 supply deficit, Middle East/Russia supply disruptions, product-market stress and refinery margin backdrop.

Reuters market updates, September 1, 2026 — current oil-price and shipping-risk context around renewed U.S.-Iran fighting, tanker risk and diesel/refining margin pressure.

Company releases: Exxon Q2 2026 results; Valero Q2 2026 results; Baker Hughes Q2 2026 results; SLB Q2 2026 results; Halliburton Q2 2026 results.

Vanguard sector ETF convention for this project: Energy (VDE), Materials (VAW), Industrials (VIS), Consumer Discretionary (VCR), Consumer Staples (VDC), Health Care (VHT), Financials (VFH), Information Technology (VGT), Communication Services (VOX), Utilities (VPU), Real Estate (VNQ), S&P 500 (VOO).

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

ETF convention: The ETFSector.com Macro Model dashboard is translated into Vanguard sector ETF tickers for this publication deck; Energy is referenced as Energy (VDE).