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Monthly Insights: October Outlook

Energy

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ETFInsight Elev8 Model
Data and research through September 29, 2026

October Outlook: Energy

Elev8 allocations: active weight descending

ETF	Score	BMK %	Elev8 %	Active pp
VGT	5	38.71	42.47	+3.76
VDE	**5**	**3.45**	**6.98**	**+3.53**
VHT	5	9.67	12.92	+3.25
VFH	3	11.78	12.78	+0.99
VAW	0	1.80	1.78	-0.02
VIS	0	8.10	7.88	-0.23
VOX	0	9.87	9.27	-0.59
VNQ	-3	1.71	0.00	-1.71
VPU	-6	1.90	0.00	-1.90
VCR	-2	8.43	5.92	-2.50
VDC	-6	4.58	0.00	-4.58

VDE carries 6.98% of the portfolio versus 3.45% in BMK. The overweight is +3.53 percentage points.

October setup. Elev8 retains a sizable Energy overweight, but price confirmation is uneven. Refining strength and a tight supply backdrop support a selective case while the broad sector has lost relative ground over six months.

Elev8 conviction. The total score is 5, placing VDE tied for rank 1 among 11 sectors. The overweight reflects the eight model inputs and the October allocation.

Participation. 23.8% of the sector's 21 S&P 500 constituents outperformed over the latest month, and 23.8% are above their 50-day average. The median one-month excess return is -3.3%.

Earnings and market tension. Valero's margin expansion corroborates the refinery leadership, whereas SLB's organic decline supports caution on services. VDE's +3.53 pp active weight therefore has selective fundamental support despite the sector's negative six-month relative return.

The principal allocation risk. Watch refining margins and organic service orders alongside supply normalization. Lower product margins or weakening demand would challenge the overweight even before headline earnings turn down.

Technical Outlook: Energy



Support and resistance. VDE holds support near 160.08 at its 200-day average, while the 50-day average presents resistance near 174.74. At 171.83, the gap between price and long-term support deserves close attention.

Momentum. RSI at 38.5 shows weak buying pressure. MACD is below its signal line, and remains below zero, showing that downside momentum still dominates.

Twelve-month relative trend. VDE has outperformed the S&P 500 by 18.88% over the previous twelve months. This October-to-September curve covers a different horizon from the six-month industry exhibit.

Developments during the chart window. The summer earnings releases show why the sector's price path need not follow a single oil-price narrative. Refining profitability improved sharply while organic service revenue contracted. September supply concerns provide context for the rebound attempts, but the moving-average tests remain the direct evidence of price repair.

What price must confirm. Reclaiming resistance near 174.74 would improve the near-term picture. Failure to do so leaves longer-term support near 160.08 in focus, particularly if refiners lose relative leadership.

Fundamentals: Energy



Profitability and balance sheet. The monthly VDE exhibit shows a trailing net margin of 8.82% and total debt / EBITDA of 1.46x. Margin direction and cash conversion will determine how much revenue growth reaches shareholders.

Valuation and estimates. Trailing P/E is 16.75x versus 14.02x on next-twelve-month earnings. FY1 and FY2 multiples are 13.22x and 14.43x. The lower forward multiple depends on forecast earnings becoming reported profits.

The earnings hurdle. NTM EPS of 12.87 is 26.9% above trailing EPS of 10.14. FY2 EPS of 12.49 is 8.4% below FY1 EPS of 13.63. These compare displayed earnings bases and are not next-quarter growth forecasts.

Distributions are supported by current cash flow. ExxonMobil's Q2 release reported $9.4bn of shareholder distributions against $17.2bn free cash flow. That coverage provides a balance-sheet and payout check beyond sector EPS. It is a single-quarter observation whose durability depends on commodity margins and investment needs.

Services expose a different earnings denominator. SLB's reported revenue increase included acquisitions, while revenue excluding acquisitions declined. A forward P/E that assumes recovery should be tested against organic orders and utilization. Integrated producers, refiners and service companies need different earnings assumptions even when they share the Energy label.

Stock Valuation: Energy

Selected constituents: relative P/E ascending

Stock	Rel. P/E	1M excess	50DMA dist.
MPC	**0.42x**	+5.9%	+2.3%
VLO	**0.46x**	+10.8%	+5.9%
EOG	**0.48x**	-1.6%	-3.3%
PSX	**0.50x**	+4.2%	+1.4%
COP	**0.68x**	-3.0%	-4.2%
CVX	**0.73x**	+2.5%	+0.2%
XOM	**0.74x**	+4.0%	+0.4%
SLB	**0.89x**	-9.5%	-5.2%

The table compares selected major franchises and relevant industry exposures.
MPC is the lowest-multiple name in this group at 0.42x the index NTM P/E.
The selection is illustrative and is not a lowest-P/E screen of the whole sector.

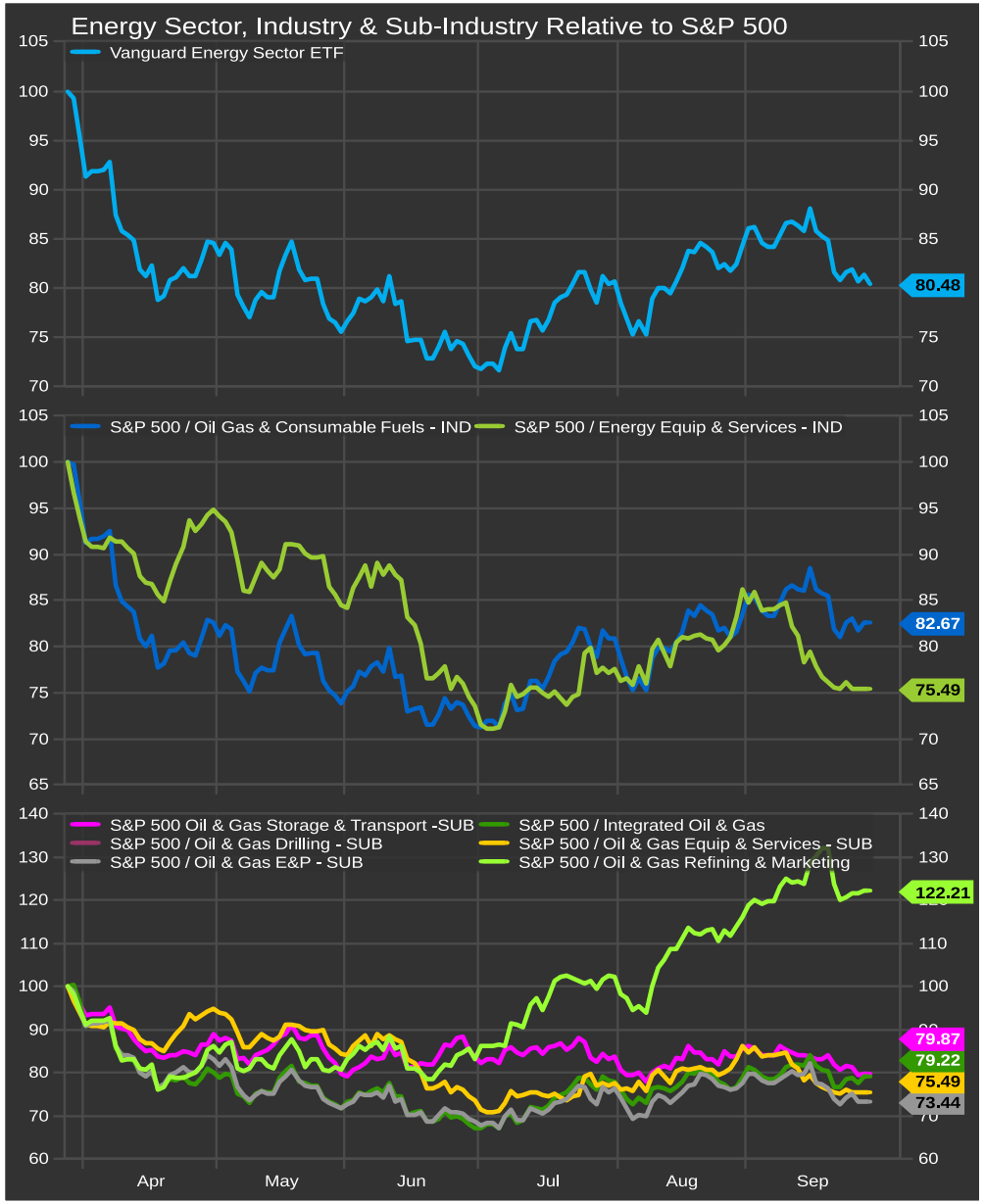
Valuation dispersion. MPC at 0.42x and SLB at 0.89x show the range across these franchises. Differences in growth, margins and earnings cyclicality matter when judging that spread.

Price confirmation. MPC has +5.9% one-month excess return and trades 2.3% above its 50-day average. The stock contributes positively to the model score. Valuation and recent price action offer complementary support.

Earnings behind the multiple. Low multiples in refiners can reflect an unusually favorable margin environment. A valuation comparison should stress normal refining economics for VLO and peers, commodity realizations for integrated producers, and organic activity for service firms. The cheapest multiple need not offer the least cyclical earnings risk.

How to use the comparison. The table orders selected franchises by relative forward P/E. Compare the discount or premium with recurring profitability and investment needs, then use the price columns as a separate check on market expectations. The selection is illustrative, so it does not establish that the first row is the cheapest stock in the sector.

Industry Relative Trends: Energy



Six-month sector result. VDE has underperformed the S&P 500 by 19.52% over the previous six months. The result measures relative performance over April–September, separate from the twelve-month daily chart.

The strongest industry. The refining & marketing group has outperformed the S&P 500 by 22.21% over the previous six months. Its positive relative result identifies a pocket of leadership within the sector.

The weakest industry. The exploration & production group has underperformed the S&P 500 by 26.56% over the previous six months. The contrast with refining & marketing argues for an industry-specific view of earnings and risk.

Other important curves. Storage & transport underperformed by 20.13%, Integrated oil & gas underperformed by 20.78%, Equipment & services underperformed by 24.51%, each over the previous six months.

Operating context for the dispersion. Valero's throughput changed modestly relative to the increase in refining profit, while SLB's underlying revenue contracted. That operating divergence fits the stronger refinery stocks and weaker service exposure. It also explains why a broad sector allocation can have less price confirmation than its best industry pocket.

Industry Breadth: Energy

Sorted by outperforming share, then median excess return

Industry	Stocks	Beat BMK	>50DMA	Median ex.
Oil, gas & fuels	18	**27.8%**	27.8%	-2.9%
Energy equipment	3	**0.0%**	0.0%	-9.5%

Oil, gas & fuels leads on the sorting measure with 27.8% positive breadth. Read the percentage alongside the constituent count before assuming it represents broad leadership.

Rolling one-month excess returns. Equal-count breadth across S&P 500 constituents. Industry labels follow current GICS classifications.

Participation within the sector. 23.8% of constituents beat the benchmark, while the median stock underperformed by 3.3%. The table shows whether the strongest industry curves have broad stock support.

A different horizon. One-month constituent breadth complements the six-month industry curves. A group can remain ahead over six months while recent participation deteriorates.

The weaker end. Energy equipment has 0.0% positive breadth and 0.0% above the 50-day average. That leaves limited confirmation of a durable recovery.

Allocation context. Elev8 retains an overweight in VDE. Breadth is a separate diagnostic and does not mechanically change the model allocation.

October Investment Themes: Energy

Earnings drivers and the conditions needed for stronger conviction

ExxonMobil: cash generation supports exposure. ExxonMobil's July 31 Q2 release reported $14.5bn earnings and $23.6bn operating cash flow. Strong cash generation supports investment capacity. Its planned fifth Guyana production vessel was expected to start in Q4 with 250,000 barrels per day of capacity, adding a volume-growth avenue alongside commodity-sensitive margins.

Valero: refining margins explain the stronger pocket. Valero's July 30 Q2 release showed adjusted refining operating income of $4.44bn versus $1.27bn a year earlier. Throughput changed much less, at 2.95m barrels per day versus 2.92m. The improvement therefore chiefly reflects stronger economics per barrel, consistent with the relative strength in refiners.

SLB: services do not share the same strength. SLB's July 24 Q2 release reported $8.97bn revenue, up 5% year over year, but revenue excluding acquisitions fell 5%. Pretax segment margin declined to 15.6% from 18.5%. That contrast helps explain why strong refinery results can coexist with weaker equipment and services stocks.

The common investment risk. Supply normalization is the principal countercase. If distillate availability improves, refining profits may retreat before volumes weaken. Conversely, prolonged scarcity can hurt consumers and increase demand risk. The same inflation impulse can support current margins and weaken future consumption.

Top 10 Stock Performers: Energy

Rolling one-month excess return, highest to lowest

Company	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
Valero (VLO)	Oil, gas & fuels	Uptrend	**+10.8%**	0.46x	32.9	0.13
Marathon Petroleum (MPC)	Oil, gas & fuels	Uptrend	**+5.9%**	0.42x	33.1	0.20
Phillips 66 (PSX)	Oil, gas & fuels	Uptrend	**+4.2%**	0.50x	26.1	0.48
Exxonmobil (XOM)	Oil, gas & fuels	Bullish Reversal	**+4.0%**	0.74x	3.7	-0.46
Chevron (CVX)	Oil, gas & fuels	Bullish Reversal	**+2.5%**	0.73x	4.8	-0.14
APA (APA)	Oil, gas & fuels	Bullish Reversal	**-0.2%**	0.46x	7.2	-0.48
Devon Energy (DVN)	Oil, gas & fuels	Consolidation	**-0.4%**	0.48x	-2.9	-0.14
EOG Resources (EOG)	Oil, gas & fuels	Consolidation	**-1.6%**	0.48x	-4.6	-0.26
Kinder Morgan (KMI)	Oil, gas & fuels	Consolidation	**-2.7%**	1.03x	-12.5	0.29
ConocoPhillips (COP)	Oil, gas & fuels	Bullish Reversal	**-3.0%**	0.68x	1.4	-0.47

S&P 500 constituents. FactSet / MTIR, September 29, 2026.

Leaders in context. VLO leads at +10.8% excess return. 5 of these ten stocks outperformed the benchmark. A top-ten rank can still represent a relative loss.

Model contribution. 7 of ten stocks contribute positively to the model score. Positive model contributions support several names, although the recent winners differ in valuation and price structure.

What to watch. Sustained relative strength and earnings revisions matter more than a single month's ranking. Compare price pattern and valuation before increasing concentration.

Bottom 10 Stock Performers: Energy

Rolling one-month excess return, lowest to highest

Company	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
Expand Energy (EXE)	Oil, gas & fuels	Consolidation	**-12.8%**	0.52x	-16.8	-0.14
Halliburton (HAL)	Energy equipment	Consolidation	**-9.7%**	0.61x	-15.8	0.40
SLB (SLB)	Energy equipment	Bullish Reversal	**-9.5%**	0.89x	-5.0	0.61
EQT (EQT)	Oil, gas & fuels	Retracement	**-8.3%**	0.67x	-16.8	-0.08
Baker Hughes (BKR)	Energy equipment	Consolidation	**-8.2%**	1.02x	-10.2	0.86
Texas Pacific Land (TPL)	Oil, gas & fuels	Retracement	**-6.8%**	1.74x	-22.6	0.04
ONEOK (OKE)	Oil, gas & fuels	Consolidation	**-6.2%**	0.76x	-8.9	0.27
Diamondback Energy (FANG)	Oil, gas & fuels	Consolidation	**-6.0%**	0.50x	-8.1	-0.03
Williams (WMB)	Oil, gas & fuels	Consolidation	**-5.5%**	1.41x	-14.7	0.35
Occidental Petroleum (OXY)	Oil, gas & fuels	Consolidation	**-4.4%**	0.63x	-4.3	-0.49

S&P 500 constituents. FactSet / MTIR, September 29, 2026.

Laggards in context. EXE has the weakest return at -12.8% excess return. 0 of these ten stocks outperformed the benchmark.

Model contribution. 1 of ten stocks contribute positively to the model score. Negative model contributions reinforce the weak relative performance across much of this group.

What to watch. A low multiple or oversold condition is insufficient on its own. Look for stabilization in earnings expectations and a repair in price before treating weakness as opportunity.

Economic and Policy Drivers: Energy

Fuel inflation supports margins but threatens demand. BLS reported August energy CPI up 16.3% year over year, including gasoline up 27.4% and fuel oil up 52.0%. The price pressure is consistent with tight fuel markets, while higher household energy bills can eventually restrain demand. Consumer inflation measures do not directly measure producer realizations.

Supply conditions favor selectivity. EIA's September outlook described constrained Middle East exports and tight distillate supply. Valero's Q2 margin improvement provides a company-level example of refining sensitivity. A normalization of supply could compress margins even if throughput remains stable, so the VDE overweight should not rely on current scarcity indefinitely.

Demand is still expanding, with vulnerability. August payrolls increased 162,000 and unemployment was 4.1%, while September consumer confidence fell 6.7 points to 81.9. Employment supports consumption, but weaker sentiment and expensive fuel create a demand risk. The two releases give a more balanced picture than an inflation-hedge argument alone.

October release checkpoints. Payrolls on October 2, CPI on October 14 and retail sales on October 15 will update labor, inflation and consumption. The October 27–28 FOMC meeting and October 29 GDP/PCE releases provide further tests. Scheduled events are prospective, with no results assumed.

Evidence that would change the assessment. A decline in fuel inflation would help consumers but could reduce refinery earnings. October updates should identify whether margin normalization is orderly or accompanied by weakening demand.

Elev8 Model Components

Total score descending, with ties ordered by active weight

ETF	Pat.	Mean	Wtd.	OB/OS	Sector	Ind.	Eq↑	Rate↑	Total
VGT	1	1	1	0	2	0	1	-1	**5**
VDE	**1**	**1**	**1**	**1**	**0**	**0**	**0**	**1**	**5**
VHT	1	1	1	0	2	1	-1	0	**5**
VFH	0	1	1	1	-1	-1	1	1	**3**
VAW	0	1	-1	1	-1	-1	0	1	**0**
VIS	-1	1	-1	1	-1	-1	1	1	**0**
VOX	0	-1	1	0	1	0	0	-1	**0**
VCR	-1	-1	1	1	-1	-1	1	-1	**-2**
VNQ	-1	-1	-1	1	-1	-1	1	0	**-3**
VPU	-1	-1	-1	1	-1	-1	-1	-1	**-6**
VDC	0	-1	-1	0	-1	-1	-1	-1	**-6**

VDE scores 5.

Balance of evidence. VDE has 5 positive and 0 negative component readings. Positive inputs outweigh the offsets, although the total does not imply uniform agreement across all eight components.

Relative conviction. Technology, Energy and Health Care share the highest total score of 5. Staples and Utilities sit at -6. This spread distinguishes the strongest model support from the weakest, while the allocation table shows the portfolio exposure to each.

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Model: ETFInsight Elev8, September 29, 2026. Constituents: FactSet / MTIR corrected S&P 500 data.
Charts: Myrtle Tree Investment Research. Research cutoff: September 29, 2026.