



AUGUST 5, 2025

Energy: Marketweight effective 7/10/25

Key Takeaways

- Energy was the fourth-best performer in July.
- Crude prices jumped during the month as Trump tried to pressure Russia to end the war in Ukraine.
- The model upgraded Energy to overweight.

Russian production has not suffered. While the shortened deadline, and an unknown response from Russia, has inflated crude's geopolitical risk premium, our commodity team is skeptical of its staying power.

Indicators to watch: While geopolitical and macro cross currents keep uncertainty

high, indicator evidence has improved. Energy saw the second most improvement in our sector model during the month, with the sector's composite score rank jumping from seventh best to second best. The model upgraded Energy to overweight at its month-end update.

Sector positives

- U.S. reserves are depleted and will need to be refilled
- Valuations look relatively attractive
- Global conflicts have added a geopolitical risk premium to crude prices

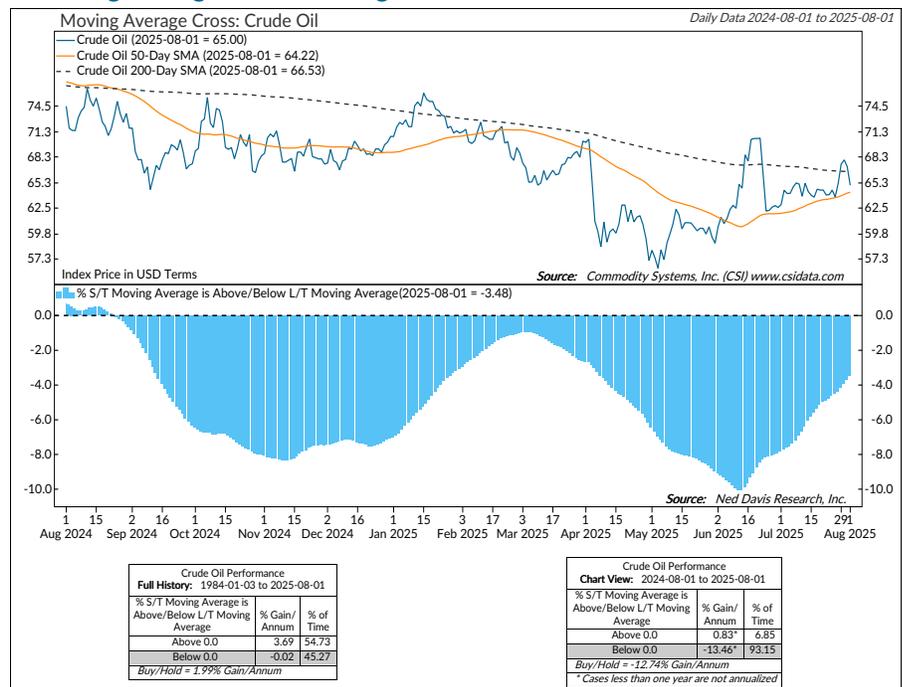
Sector negatives

- OPEC to increase production
- Energy Supply/Demand indicator remains bearish
- The International Energy Agency (IEA) reported a downward revision in global oil demand growth for 2025

Energy was up almost 3% in July and was the fourth-best performing sector. Crude continued to advance from its May low, rallying more than 5% during the month, acting as a tailwind. Energy was led by Integrated Oil & Gas, the sector's largest industry at nearly 50% of sector market cap. Both Chevron and Exxon outpaced the S&P 500 during the month. We upgraded the sector to marketweight on July 10.

Key drivers: The summer of right tail risks in commodity markets continued. With a comment on Air Force One, President Trump shortened the deadline, from 50-days to 10-days, for Russia to negotiate a cease fire deal with Ukraine. WTI spiked to just shy of \$70 on the news and posted its largest single day gain since Israel's attack of Iran in June. Details of repercussions for failing to meet the shortened deadline are elusive. Russia is the second largest producer of OPEC+ behind Saudi Arabia and despite sanctions by both the EU and U.S.,

Crude getting closer to a golden cross



Customized version of TREND_MA_CMD.RPT



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Some sectors receive “over-,” “market-,” or “under-” weight recommendations, which means that the research firm recommends that more, the same, or less of the sector should be held in your portfolio than is held in the market.

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See the signals.TM

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