

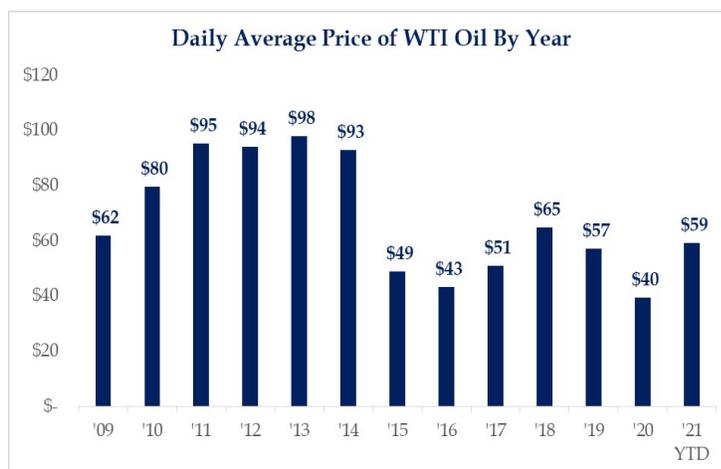
Strategas Daily Macro Brief

Prepared by Strategas Securities, a Baird Company

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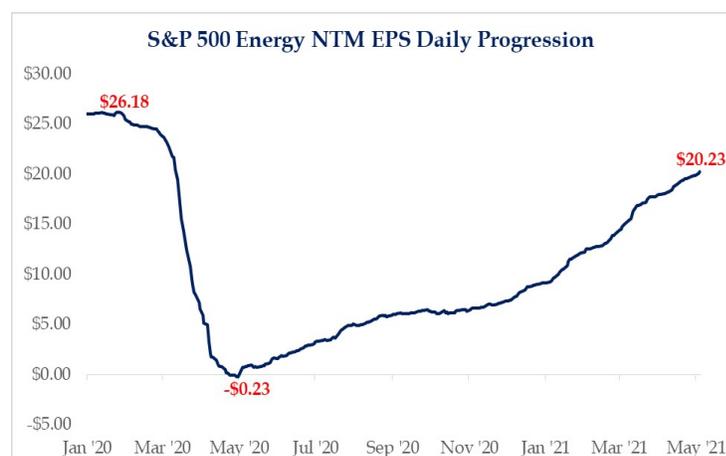
AVERAGE OIL PRICE HEADING TOWARD 2018 LEVELS

As Jason Trennert wrote on Tuesday, we believe the risk/reward in the Energy sector is very attractive for those with a short to intermediate time horizon. Currently, WTI has averaged \$59 year-to-date, but if oil prices maintain their current levels, the average will be similar to what it averaged in 2018. Absent any decline in oil prices, the energy sector's profitability should continue to rise.



NTM EPS FOR THE ENERGY SECTOR STILL BELOW THE PRE-COVID LEVELS

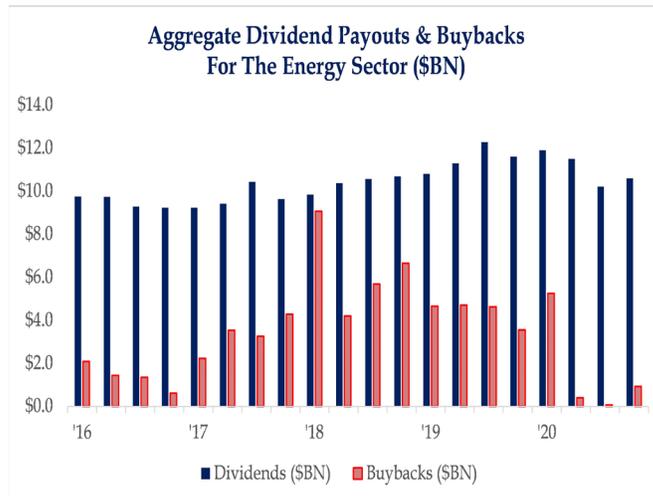
While NTM EPS for the overall index is well above its pre-covid levels, the recovery for the Energy sector has been slower. Currently, the NTM EPS for the Energy sector stands at \$20.23, which remains 23% below the \$26 estimated back in January of 2020. It suggests there is still room for upward revisions and continued momentum for the sector from a top-down perspective.



Please see the Appendix on page 3 for important disclosures.

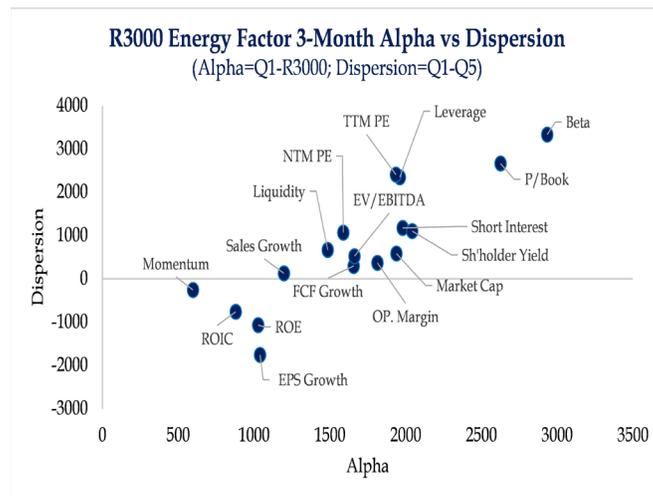
ENERGY DIVIDENDS RELATIVELY STABLE, BUYBACKS MORE VOLATILE

Turning to the distribution of cash for shareholders, dividend payments have remained relatively consistent for the energy sector, averaging just north of \$10bn per quarter. However, the cash spent on buybacks has been more volatile over the past five years, with the last three quarters seeing buybacks of less than \$1bn each quarter. In our view, this is another catalyst for shares to continue to move higher.



ALL ENERGY FACTOR QUINTILES OUTPERFORMING

Over the past three months, 100% of factor quintiles within the Energy sector have outperformed the broader market. Put simply, it has rewarded investors to simply allocate to the sector versus more granular stock selection. The sector continues to exhibit robust risk appetite, with high beta, high short interest, and high leverage among the best alpha and dispersion factors. High ROE/ROIC have underperformed their barbell counterparts over the last three months, highlighting that investors have not fully embraced higher quality names within the sector.



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