Market Commentary Blog

Cash Flow *and Carey*

Robert Carey, CFA
Chief Market Strategist

Peter Leonteos
Market Strategist

2/10/26

Drilling Into Energy Stocks

Energy-Related Stocks vs. the S&P 500 Index

(YTD, 1-Year and Average Annualized Total Returns thru 2/6/26)

Period	S&P 500 Energy Index	S&P 500 Utilities Index	50% Energy/ 50% Utilities	S&P 500 Index
YTD	19.48%	1.58%	10.53%	1.35%
1-Year	25.80%	13.87%	19.84%	15.39%
3-Year	11.45%	11.63%	11.54%	20.68%
5-Year	25.17%	9.76%	17.47%	13.89%
10-Year	10.92%	9.96%	10.44%	15.88%
15-Year	6.06%	10.74%	8.40%	13.81%
20-Year	6.53%	9.01%	7.77%	10.98%
25-Year	8.02%	7.07%	7.55%	8.76%

Source: Bloomberg. 50%/50% combination reflects daily rebalancing. **Past Performance is no guarantee of future results.**

View from the Observation Deck

Today's post compares the performance of energy-related stocks to the broader equity market, as measured by the S&P 500 Index, over an extended period. Given global dependence on oil, natural gas, and electricity, the prices of companies in those industries are subject to a myriad of influences. Click here to view our last post on this topic.

The S&P 500 Energy Index ("Energy Index") has been the top performer year-to-date (YTD), surging by 19.48% through 2/6.

The Energy Index's YTD total return puts it 17.90 and 18.13 percentage points ahead of the S&P 500 Utilities Index ("Utilities Index") and the broader S&P 500 Index, respectively. From a YTD total return perspective, the next-closest sectors are Consumer Staples (+14.21%), Materials (+12.51%), and Industrials (+11.67).

Natural gas price volatility spiked in January.

The price of natural gas increased by a staggering 102.39% from 12/31/25 to 1/28/26 before plummeting 54.13% in the days following (1/28/26 – 2/6/26). As we see it, supply constraints resulting from winter storm "Fern" likely account for a significant portion of these wild swings. The Energy Information Administration reported that working natural gas stock declined by a record 360 billion cubic feet during the week ended 1/30/26, while natural gas consumption increased by 29% over the days the storm hit (1/23/26 – 1/26/26).

Crude oil prices rebounded to start the year.

WTI crude oil prices increased 13.57% to $65.21 per barrel in January before settling at $63.55 on February 6th. The increase comes on the heels of a 19.94% decline in crude oil prices in 2025. We see several catalysts behind surging crude oil prices. The first is persistent geopolitical instability in the Middle East. Just this week, U.S. vessels were urged to avoid Iranian territorial waters as they pass through the Strait of Hormuz, a waterway through which 20% of global liquid petroleum passes annually. We also note the persistent upward trend in global petroleum demand. The International Energy Agency (IEA) reported that global oil demand growth is forecast to average 930,000 barrels per day (bpd) in 2026, up from 850,000 bpd in 2025.

Takeaway

The Energy Index is off to a blazing start in 2026, increasing by 19.48% YTD through 2/6 and making it the top performer among the 11 sectors that comprise the S&P 500 Index over the period. From our perspective, geopolitical instability and rising demand for oil are significant catalysts behind the sector's dominant performance. We find the IEA's 2026 global oil demand estimates particularly noteworthy, as they may reflect a strengthening global economy. In Germany, for example, GDP increased by 0.2% year-over-year (y-o-y) in 2025, marking the first increase in GDP for the nation since 2022. The country's GDP is expected to expand by 0.9% and 1.5% y-o-y in 2026 and 2027, respectively. In the U.S., GDP increased by a stunning 4.4% (annual rate) in Q3'25 - its fastest pace in two years. The Energy Index may also be benefitting from broader investor participation in recent months, which we wrote about in a recent post (click here). Will the Energy Index continue to outperform its peers this year? We will update this post with new information as warranted.