Market Commentary Blog

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An Update on Energy-Related Stocks

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

(YTD, 1-Year and Average Annualized Total Returns thru 3/18/25)

Period	S&P 500 Energy Index	S&P 500 Utilities Index	50% Energy/ 50% Utilities	S&P 500 Index
YTD	6.74%	3.96%	5.35%	-4.26%
1-Year	2.80%	27.51%	15.16%	10.49%
3-Year	11.23%	6.93%	9.08%	9.60%
5-Year	36.39%	10.99%	23.69%	20.37%
10-Year	5.86%	9.29%	7.58%	12.31%
15-Year	6.50%	10.51%	8.51%	13.16%
20-Year	6.50%	8.94%	7.72%	10.18%
25-Year	7.85%	7.89%	7.87%	7.50%

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

View from the Observation Deck

Today's blog post compares the performance of energy-related stocks to the broader 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 U.S. Energy Information Administration (EIA) estimates that U.S. electricity consumption will total a record 4,215 billion kilowatt hours (kWh) in 2025, up from the previous record of 4,097 billion kWh in 2024. Electricity demand is surging as resource-intensive workloads such as training AI models, electric vehicle charging, and electric appliances are introduced into more U.S. homes. As we see it, the disparity in trailing 12-month returns for energy companies (2.80%) compared to Utilities (27.51%) reflects this phenomenon. That said, the EIA estimates that natural gas will account for 40% of total U.S. power generation in 2025, requiring increased inventories and production. Colder than expected weather in January and February resulted in declining natural gas inventories. The EIA forecasts inventories will fall to less than 1.7 trillion cubic feet in March, 10% below the 5-year average for the metric. As a result, natural gas prices continued to surge, increasing by an astonishing 137.93% over the trailing 12-month period ended 3/18/25.

Year-to-date (YTD), the Energy Index has outperformed the Utilities Index by 278 basis points (see table). Energy stocks remain among the top-performers YTD despite growing concern that the U.S. economy could fall into a recession. With a total return of 6.74%, the Energy Index is the second-best performing sector in the broader S&P 500 Index YTD thru 3/18/25. The S&P 500 Health Care Index was the only sector to outperform it, increasing by 6.81% over the period. From our perspective, much of this performance has been driven by the emergence of the U.S. as a global leader in energy production. Data from the EIA reveals that the U.S., which accounts for the largest share of worldwide oil production, produced a record 13.2 million barrels of oil per day in 2024. The figure marks the seventh year in a row where the U.S. produced the largest share of global crude oil. Additionally, the U.S. is also the world's largest exporter of liquefied natural gas (LNG), shipping 4.37 billion cubic feet of LNG throughout the globe in 2024.

Takeaway

The specter of a U.S. recession, growing geopolitical tensions, and potential tariff wars have been unable to quell investors' appetite for energy stocks in 2025. We expect many will find this data surprising, as the energy sector is typically quite volatile when faced with these headwinds. That said, segments of the energy sector appear to be undergoing foundational shifts which could upend traditional near-term expectations. The emergence of the U.S. as a global leader in crude oil production and LNG exports is a relatively new phenomenon, as is the increase in electricity demanded by AI, electric cars, and electric household appliances. The fact that natural gas is expected to account for 40% of U.S. electricity production this year further solidifies the point. As a capstone, the current administration appears to have taken an energy friendly stance. Utilities, which are often seen as safe havens during market turmoil, could benefit from the recent tailwinds discussed today as well, in our opinion. Will the Energy Index continue to outperform its peers in the Utilities Index this year? We will update this post with new information as warranted.