

The resurgence of U.S. energy production over the last ten years had made energy one of the best sectors for investors. Energy produced strong dividend yield, as well as annual returns that were typically among the top of sector performance. Those days seem an eternity ago as COVID has impacted the energy sector nearly as much as the hospitality sector. Low demand for air travel and a forecasted warm winter suggest the oil market will struggle to return to 2019 levels for quite some time. No analysts are suggesting we could return to April prices when you literally could not give away oil as the futures market was negative, but it seems unlikely the headwinds for a recovery in oil prices will subside anytime soon.

- Oil demand in the 4th quarter is forecasted to be 90.2 million barrels per day. That is down 450,000 barrels from the 3rd quarter and lower by 9.5 million barrels from the 99.7 million barrels per day in 2019.
- Royal Dutch Shell has slashed their 2021 exploration budget by 40% as a result of weak oil prices, and U.S. production has fallen from 13.1 million barrels per day to just 10.7 million since January 2020.
- The energy sector is the only S&P sector with a negative trailing 3-month return, and by a wide margin is the worst performing sector in 2020 and the worst sector over the last 3 years.

**S&P 500 SECTORS - YEARLY RETURNS (%)**

Last Update: 30 September 2020

ETF	2017	2018	2019	2020 <sup>(1)</sup>
S&P Information Technology (XLK)	+34.25	-1.66	+49.86	+28.60
S&P Consumer Discretionary (XLY)	+22.82	+1.59	+28.39	+18.26
S&P Healthcare (XLV)	+21.77	+6.28	+20.45	+4.95
US Large Caps (SPY)	+21.70	-4.56	+31.22	+5.58
S&P Industrials (XLI)	+23.97	-13.24	+29.09	-3.94
S&P Consumer Staples (XLP)	+12.98	-8.07	+27.43	+3.80
S&P Utilities (XLU)	+12.03	+3.92	+25.91	-5.56
S&P Real Estate (XLRE)	+10.69	-2.37	+28.69	-6.79
S&P Financials (XLF)	+22.00	-13.04	+31.87	-20.14
S&P Materials (XLB)	+24.00	-14.87	+24.13	+5.43
S&P Communication Services (XLC)	-	-	+31.05	+11.53
S&P Energy (XLE)	-0.90	-18.21	+11.73	-47.39

Source: Standard and Poor's Inc