

Friday Favorites- 'Drill Baby Drill'

The US presidential election in November is quickly approaching, but it?s still too early to guess who will win. Nonetheless, the outcome will have very different implications for the energy industry. A Biden victory would benefit the energy transition and companies positioned to benefit from green energy policies. A Trump victory would be a boon for traditional fossil fuel E&P and integrated companies, given his ?drill, baby, drill? statements.

This week?s Friday Favorites seeks to identify stocks that may offer outsized returns in a scenario where Donald Trump wins the 2024 presidential election.

Screening Criteria

We considered the following criteria when screening:

- Energy Sector
- Oil & Gas E&P or Oil & Gas Integrated Industry
- Market Cap > \$10 billion
- Forward P/E <10
- Expected EPS growth next 5 years >7% (industry average)
- PEG ratio < 1
- Long Term Debt to Equity < 0.5

The screen focuses on companies displaying fundamental value yet holding on to solid growth prospects. The PEG ratio plays a role in weeding out companies that are fundamentally cheap due to slow growth. Meanwhile, we exclude companies with larger debt loads to eliminate companies with weaker balance sheet quality.

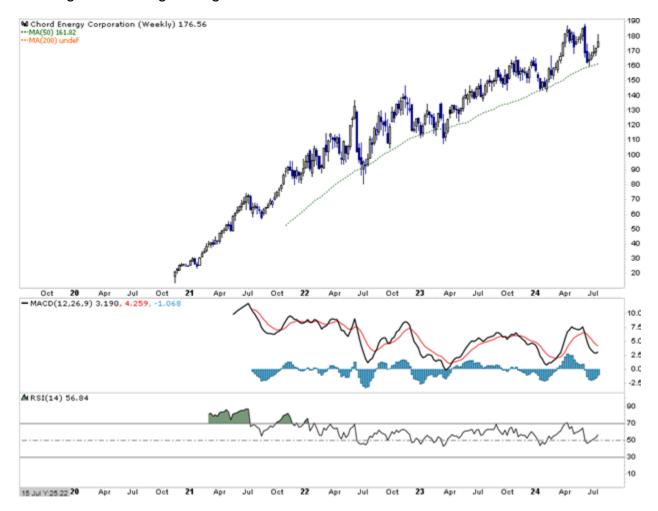
The results below trade at incredibly cheap valuations compared to the S&P 500 index and are poised to perform well if Trump is elected.

| | | Market Cap | | | Expected 5y | | LT Debt to |
|------------------------|------------|------------|-------|-------------|-------------------|------|------------|
| Ticker | Type | (\$B) | P/E | Forward P/E | EPS Growth | PEG | Equity |
| CHRD | E&P | \$11.07 | 8.28 | 8.52 | 9.0% | 0.92 | 8% |
| CVE | Integrated | \$38.02 | 11.33 | 9.34 | 24.0% | 0.47 | 32% |
| E | Integrated | \$48.49 | 13.14 | 6.74 | 19.5% | 0.67 | 50% |
| MRO | E&P | \$16.50 | 12.11 | 9.04 | 12.6% | 0.96 | 41% |
| SU | Integrated | \$49.88 | 8.65 | 9.67 | 13.2% | 0.66 | 34% |
| Real Investment Advice | | | | | | | |

Technical Summaries

CHRD: The smallest company in the screen results, Chord Energy, only has about three years of price history. It?s been bouncing off support at its 50-week moving average since July 2022, most recently in June of this year. The stock continues establishing higher highs and higher lows. It?s RSI is not yet overbought, and its MACD is in the process of turning up, so we expect the stock to continue past previous tops to a level of around \$190. If it cannot establish a higher high and stalls

near the prior two tops, be on the lookout for a triple-top reversal pattern. If a triple-top forms, the 50-week moving average will prove critical support and a smart place to reduce exposure if it breaks through the moving average.



CVE: Cenovus Energy has been range-bound, albeit in an extensive range, since early 2022. The stock is bumping up against longer-term resistance after finding support at its 50-week moving average in June. Below that, the next critical support level lies around \$14.50. If it can break out above resistance near \$20.50, we?d like to see it establish support at that level once or twice before turning higher. RSI is trending higher but has not yet reached an overbought level. MACD is turning up from a moderate level. Taken together with RSI, the stock has some room to run if it can push through resistance.



E: ENI S.P.A. turned a resistance level into support after breaking out in August 2023, as shown in the chart below. It tested that support in May of this year but it appears to be stalling at its 50-week moving average. Its MACD and RSI have been forming lower highs lately, and both indicators are trading at neutral levels. Considering the abovementioned pattern, the stock may soon test the red support line again. However, it certainly has some room to run before testing resistance around \$30 if it can push above its 50-week moving average.



MRO: Marathon Petroleum has established higher lows over the last two years. Like several other stocks in this screen, it recently bounced off support at its 50-week moving average. In the short-term, RSI and MACD are trending higher but not overbought. A break to a record high could portend decent upside.



SU: Suncor Energy is not displaying any clear technical patterns. The stock recently broke out of a 1.5-year consolidation pattern, rising to a slightly overbought level. The RSI has since corrected to a more moderate level and turned higher, but the stock?s MACD is still trending lower. Given its large run since the beginning of the year, it may consolidate for a while longer before making a sustained move either higher to break above \$40 or lower to test the 50-week moving average once again.



Disclosure

This report is not a recommendation to buy or sell the named securities. We intend to elicit ideas about stocks meeting specific criteria and investment themes. Please read our <u>disclosures</u> carefully and do your own research before investing.