

A Major Obstacle to the Energy Transition

The supply side of the energy transition is well on its way, but the demand side of the equation presents a major obstacle to victory. EY published its [2024 Energy Transition Consumer Insights Report](#) last week, in which the firm surveyed nearly 100,000 consumers across 21 global markets over three years. As highlighted in the report, the success of the energy transition ultimately depends on one factor: the rate of consumer adoption. Per the report,

Seventy percent of energy transition outcomes will depend on consumers changing their consumption, behaviors and lifestyles.⁴ Half of consumers' impact on the energy transition comes directly from shifts in home energy use and transportation

Some consumers are willing to pay higher prices for energy sourced sustainably. However, lofty global inflation over the past three years has heightened the obstacle. The report indicates that consumer fatigue is stagnating progress toward the desired outcomes. EY posits that although 65% of energy consumers know how to do their part, 70% say they won't spend more time or money doing so.

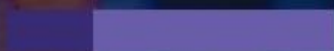
Our research warns that wavering consumer confidence could become a major handbrake that stalls progress. There simply is no energy transition unless consumers lead the way.

While this is a negative for the energy transition, it presents a valuable opportunity for companies planning to expand fossil fuel capacity in addition to investments in alternative energy sources, such as XOM and CVX. If consumers are unwilling or unable to make the leap due to financial constraints, these players stand to increase both market share and profitability.

Access

More than physical availability, access includes education, awareness, choice, data and insights. Engaging consumers requires overcoming limited awareness and sagging confidence amid a more complex energy landscape.

26%



of consumers have a good understanding of terms such as renewable energy and sustainability.

44%



of consumers say energy providers are among their most trusted sources around energy, sustainability, and purchasing energy products and services.

33%



of consumers are confident they can access clean energy options. Renters and people on low incomes are two to three times less likely to be planning to invest in new energy solutions.

Appeal

Traditionally, energy providers put little thought into making energy appealing, taking a one-size-fits-all approach focused on price or sustainability. But increasing appeal means considering diverse factors, including convenience, control, comfort and hidden motivations, that are the complicated drivers of human behavior.

77%



of consumers want their energy provider to offer low-cost energy options alongside high-end products and services.

74%



of consumers offset positive energy actions with negative behaviors, e.g., buying a smart thermostat, but using more energy because it's easier to control.

34%



of consumers purchase new energy products and services to gain greater control, and 29% say they do so for convenience.

18%

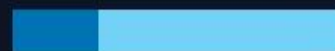


of consumers would adopt new energy products and services if it was easier to purchase and install them.

Affordability

When forced to trade off elements of their energy experience, affordability stands out among consumers' needs and values. Addressing affordability concerns requires providers to take a broader definition of the issue, considering consumers' wider financial wellbeing and outlook, lifestyle impacts, potential trade-offs, and the time and energy they must invest in their energy experience.

30%



of consumers are confident that their energy will remain affordable.

69%



of consumers prefer a subscription model or fixed rate pricing.

49%



of consumers are interested in pre-pay energy options.

What To Watch Today

Earnings

Economy

Market Trading Update

On Friday, the market finally broke through 5000. As we had noted [*in our Daily Commentary*](#):

?Yesterday, the market closed at 4997.91, unable to break above that level. However, such is not surprising given the market remains extended and overbought on many technical levels. Interestingly, we are beginning to see some rotation. Yesterday, the recent leaders lagged while energy and staples outperformed. The action remains spotty, with stocks mostly still trading off earnings reports.?

Well, that rotation didn't last long. On Friday, the unstoppable advance, driven by the mega-capitalization stocks, topped [*the psychological 5000 level*](#) on the index. With the strong momentum carrying that particular group of stocks, the index will likely try to push higher over the next few days. However, as shown, the market is back to more extreme overbought levels, and bullish sentiment has reached *?greed.?*



TradingView



Most notably, the deviation between the index and the 200-DMA is getting rather extreme as well, which has typically preceded short-term corrections. As discussed in [this week's newsletter](#), those extensions and deteriorating internals suggest we should begin rebalancing portfolio risk.

While we are highly confident that a correction is coming, the timing of that event is uncertain. As such, we must maintain exposure to garner performance while we can. However, once signals are triggered, we will become more aggressive in the risk reduction process.



The Week Ahead

This week brings some important economic data to the forefront. We kick off the week tomorrow with inflation data for January. The consensus estimate for headline inflation is 0.2% MoM, reflecting a decrease of 10 basis points from December. Core inflation is expected to remain flat at 0.3% MoM, reflecting an annualized 3.6% rate of inflation. Regardless of how the results pan out, we expect the Fed to continue downplaying the possibility of rate cuts early this year.

Thursday brings the release of retail sales data for January, which will give us insight into how consumers are faring after the holiday season. The consensus expectation is an increase of 0.2% MoM. When paired with inflation estimates, real retail sales are expected to be flat in January, down from 0.3% in December. Finally, Friday brings January's PPI data and a preliminary look at Consumer Sentiment in February. The consensus expects PPI to rise to +0.1% from three consecutive months in the red.

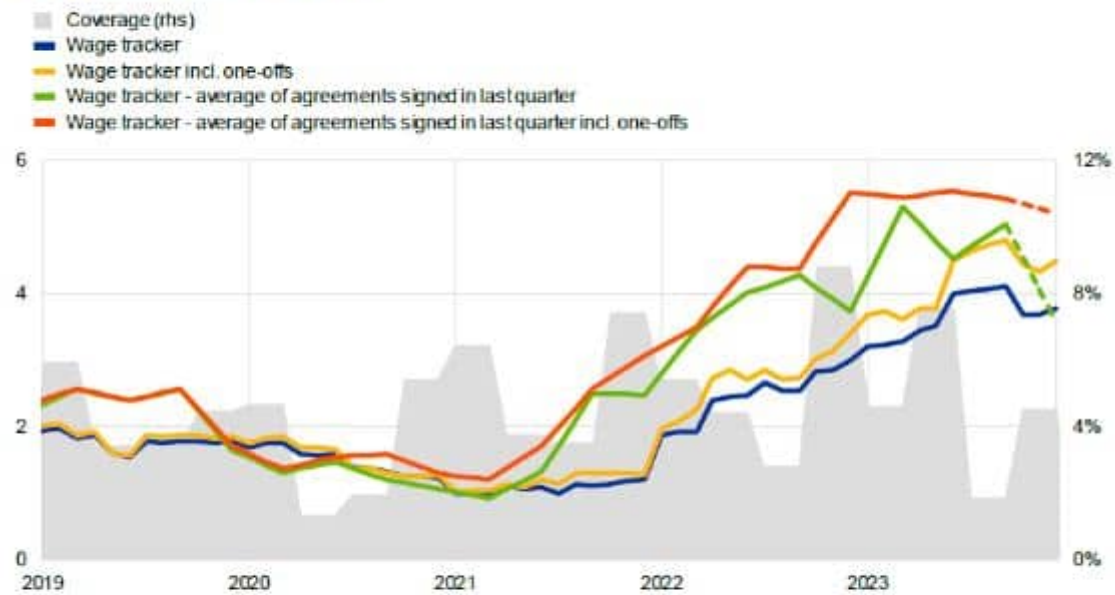
Euro Area Wage Growth Charges On

The ECB developed a new wage tracker to aid its interest rate policy decisions. It makes data from the new collective bargaining agreements available to central bank officials more quickly than previously possible. While inflation slowed dramatically last year, the wage growth in the Euro Area presents an obstacle to policymakers. Wage growth will be a critical factor in the timing of rate cuts for fear of a resurgence in inflation via a price/wage spiral. The ECB is likely taking notice of the Fed's playbook and waiting for clear and convincing evidence of slowing inflation before taking its foot off the brake. According to [Bloomberg](#),

The latest collective-bargaining agreements through end-2023 do not show a clear indication of a turning point for negotiated wage growth yet and the long average contract duration in some countries could potentially lead to quite some persistence of the current high wage growth rates in the future, the ECB [said](#).

Chart 9
Euro area wage tracker of latest agreements

(Annual percentage changes; percentages)



Source: Based on data from Deutsche Bundesbank, Banco de España, the Dutch employer association (AWVN), Oesterreichische Nationalbank, Bank of Greece, Banca d'Italia and Banque de France.

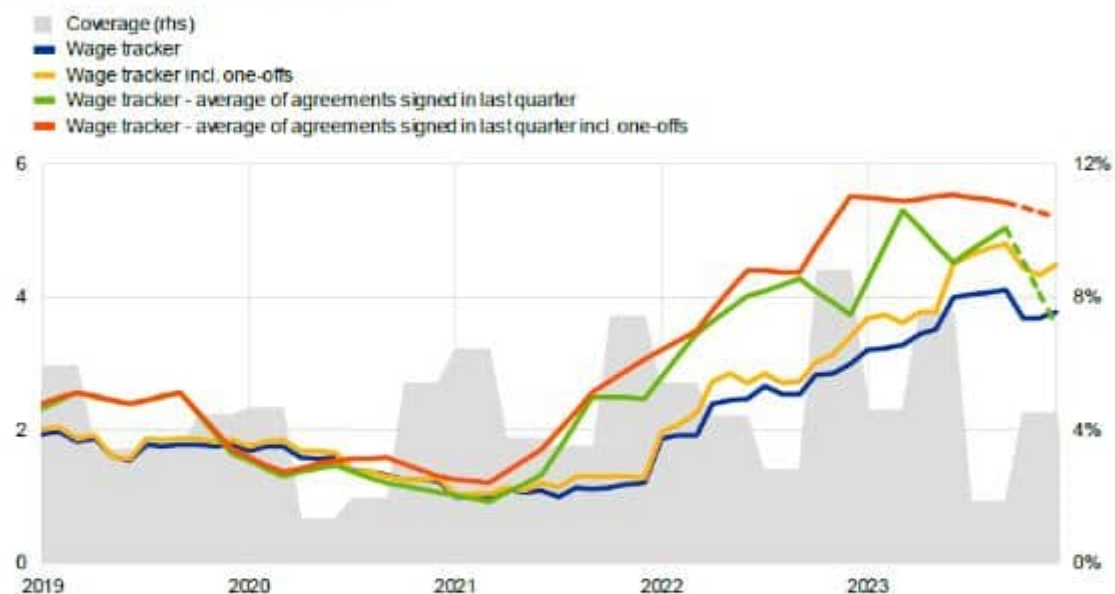
Notes: Coverage of latest agreements corresponds to the share of the euro area employees (in %) that had their agreements signed in a given quarter. Data of latest agreements for Q4 2023 preliminary as not all collective agreements reached in Q4 2023 are available yet.

Latest observation: Q4 2023 for wage growth in latest agreements; December 2023 for the baseline wage trackers.

Source: Bloomberg

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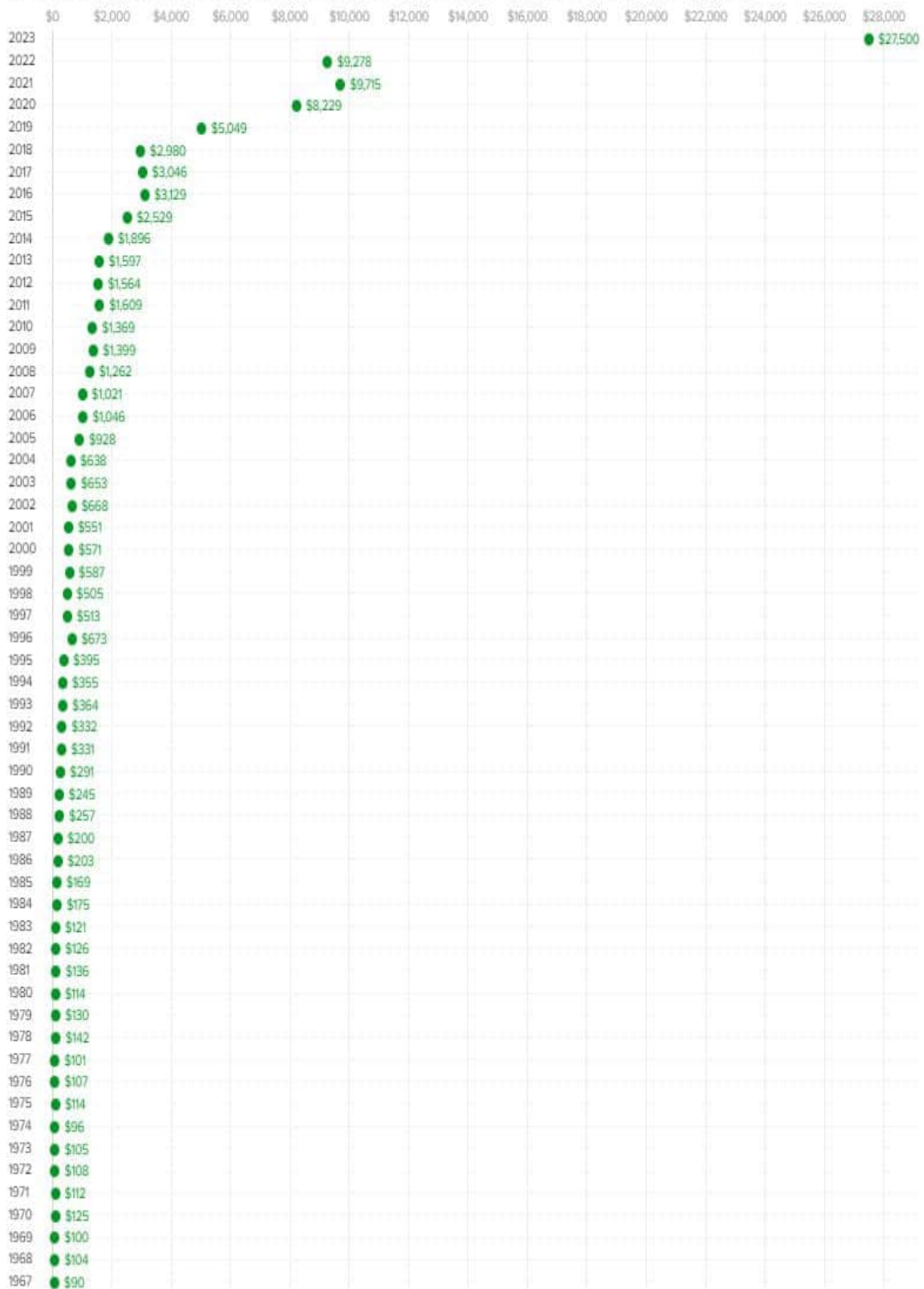
The Wealthy Paid-Up to Attend the Big Game

Ticket prices surged ahead of Yesterday's Super Bowl LVIII in Las Vegas, Nevada. According to [CBS News](#), a fifth of the tickets changed hands in the week leading up to the event. Surging prices in the resale market created a major obstacle for many with dreams of attending. As of Wednesday, the average ticket purchased on StubHub was \$8,600. Meanwhile, resellers were asking up to \$45,000 for a single ticket.

The chart below illustrates the magnitude by which premium ticket prices have surged over the last few decades. It plots inflation-adjusted figures for the highest-priced ticket sales over time. There are a few staggering aspects about this year's ticket prices. First, the average ticket price increased over 50% YoY, easily topping the previous record from the attendance-restricted game in 2021. Furthermore, the average ticket price in 2024 was in the same territory as the most expensive tickets prior to 2022. Finally, the asking price for the most expensive tickets surged by over 450% since last year.

How has the cost of a Super Bowl ticket changed since the first game in 1967?

The cost of a ticket has soared in the last few decades, according to inflation-adjusted data from GoBankingRates.



2023 tickets ranged from \$6,000 to \$27,500, while tickets in 2019 ranged from \$3,405.04 to \$5,048.85.

Chart: Aimee Picchi • Source: GoBankingRates

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Charlie Bilello

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