SPDR Spotlight

Put Some Gas in Portfolio’s Tank – XOP

The Lead

- While crude oil prices have slightly retreated and fallen off their September highs, multi-year low global oil inventories\(^1\), continued OPEC+ production cuts and heightened geopolitical tensions may provide upside support for the rest of the year

- Geopolitical tensions are an idiosyncratic risk factor for oil, as a wider conflict in the Middle East that has the potential to draw in major oil producing nations may lead to further oil price volatility (implied oil volatility as risen 7 percentage points in October\(^2\), but may also add further upside pressure on prices as well

- Higher oil prices are likely to benefit, and further support, oil & gas production firms’ earnings, all at a time when the industry’s forward price-to-earnings ratio is around the bottom decile of the past 15 years\(^3\) and not fully pricing in the geopolitical premium and tight supply-demand balance facing oil markets

The Takeaway

As broad market earnings sentiment has turned negative, with downgrades-outpacing-upgrades since August, the oil & gas exploration and production industry has bucked that trend. As shown below, the industry has had more upgrades-than-downgrades combined with higher full-year 2023 EPS estimates. With a beta sensitivity of 0.84\(^4\) to the spot price of oil, investors may want to consider the SPDR® S&P® Oil & Gas Exploration and Production ETF (XOP) to potentially capture any additional upside pressure on oil prices as well as an industry with a strong fundamental momentum trend that is also attractively priced.

Chart of the Week

The Oil & Gas Exploration and Production Industry earnings sentiment has turned positive
# Standard Performance

## Annualized

<table>
<thead>
<tr>
<th>Ticker (NAV)</th>
<th>Name</th>
<th>QTD</th>
<th>YTD</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
<th>Since Inception</th>
<th>Gross Expense Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>XOP (NAV)</td>
<td>SPDR® S&amp;P® Oil &amp; Gas Exploration and Production ETF</td>
<td>-5.35%</td>
<td>-5.35%</td>
<td>-2.25%</td>
<td>60.86%</td>
<td>0.03%</td>
<td>-4.74%</td>
<td>0.86%</td>
<td>06/19/2006</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ticker (MKT)</th>
<th>Name</th>
<th>QTD</th>
<th>YTD</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
<th>Since Inception</th>
<th>Gross Expense Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>XOP (MKT)</td>
<td>SPDR® S&amp;P® Oil &amp; Gas Exploration and Production ETF</td>
<td>-5.38%</td>
<td>-5.38%</td>
<td>-2.23%</td>
<td>60.86%</td>
<td>0.02%</td>
<td>-4.74%</td>
<td>0.85%</td>
<td></td>
</tr>
</tbody>
</table>

Source: ssga.com as of 9/30/2023. **Performance returns for periods of less than one year are not annualized. Past performance is not a reliable indicator of future performance. Investment return and principal value will fluctuate, so you may have a gain or loss when shares are sold. Current performance may be higher or lower than that quoted. All results are historical and assume the reinvestment of dividends and capital gains. For SPDR ETFs, visit ssga.com for most recent month-end performance.** The market price used to calculate the Market Value return is the midpoint between the highest bid and the lowest offer on the exchange on which the shares of the Fund are listed for trading, as of the time that the Fund's NAV is calculated. If you trade your shares at another time, your return may differ. The gross expense ratio is the fund's total annual operating expenses ratio. It is gross of any fee waivers or expense reimbursements. It can be found in the fund’s most recent prospectus.

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1 Bloomberg Finance L.P., 10/26/2023  
2 Bloomberg Finance L.P., as of 10/27/2023 based on 3-month implied volatility  
3 FactSet, as of 10/27/2023.  
4 Bloomberg Finance L.P., as of 10/27/2023 based on the weekly returns XOP and the spot price of Brent Crude Oil from 10/2020 to 10/2023
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