

# The strange energy slide could spell opportunity

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The energy sector is the second-worst performing sector in the **S&P 500** so far this year despite steady oil prices, and some strategists say this rare divergence between the stocks and the commodity is creating a buying opportunity.

"You want to take advantage of this pullback, and you're going to see some reversion," Evercore ISI head of technical analysis Rich Ross said Monday.

The energy space is not going to appear unloved for long, said Stacey Gilbert, head of derivatives at Susquehanna.

"I think that investors are just kind of reallocating with, really, the last couple of months it's been all about the 'Trump trades,' so looking for other areas that have been unloved," she said Monday on CNBC's **"Trading Nation."**

Gilbert noted that \$4 billion has flowed into energy-focused exchange-traded funds since the U.S. election, though outpaced by sectors like financials and utilities that investors favored in so-called "Trump trades."

The Energy Select Sector SPDR ETF, the **XLE**, has fallen over 5 percent year to date, while crude oil is down less than 1 percent and has massive regained footing from lows one year ago. Crude oil has been trading in a rather tight range, vacillating between about \$51 and \$54.50 per barrel.

"But I would say that the sentiment is still wanting to own energy. If we look at it from the options side, we see some protection; [the] XLE, for example, is up 27 percent over the last year. Why wouldn't you buy

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protection?" Gilbert said, particularly when the cost of buying puts is fairly cheap at current levels.

"I think we've had a little bit of a rotation and I would expect investors to continue to want to own it here," Gilbert added.

"I think the pullback has created a compelling tactical buying opportunity here for a trade that remains broadly intact," Ross said on "Trading Nation," adding that he foresees a breakout in crude oil above the \$55 level, which will take energy names higher.

Examining a one-year chart of the XLE, Ross noted that the fund has found support around its 200-day moving average, which in Tuesday trading was \$70.45.



"When crude breaks out, this is where you're going to get the big bang for your buck there in energy," Ross said.

And looking longer-term at a three-year chart of the XLE, Ross pointed out a base of support around \$50 and a multiyear head-and-shoulders bottom that suggests a bullish forecast.



"Energy will move higher on the offensive," he predicted.

**Rebecca Ungarino**  
Associate Producer

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Symbol	Price	Change	%Change
<b>XLE</b>	71.38 ▼	-0.22	-0.31%

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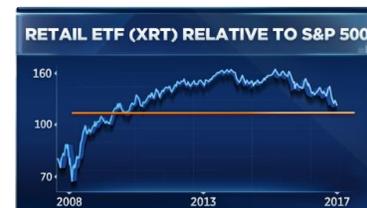
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