

Level Set - Oil Spike Playbook, Insider Buying, Short Interest, and Ideas

We don't really love writing things that everyone else is writing about. However, one of the major goals of our weekly Level Set is to discuss what changed in the last week, and it is simply impossible to ignore the Iran War, the huge move in Oil prices, and the potential impact it has on risk taking. The consensus from this past week is that reestablishing traffic in the Strait of Hormuz is the ONLY thing that matters for knowing when risk-taking is sensible again. For those who are not geography buffs, the Strait of Hormuz is a narrow waterway that connects the Persian Gulf to the Gulf of Oman and the Arabian Sea. It is the only sea passage from the Persian Gulf to the open ocean, making it one of the world's most strategically important maritime choke points given it handles roughly **25% of global oil** and a significant share of liquefied natural gas (LNG) exports. Brent oil was at \$58.92 a barrel in mid-December, and closed the week at \$92.69, a 57% move. We decided to analyze large moves in the Oil price over the last 40 years, and found 17 such instances where Oil moved more than 35% higher to analyze (see below).

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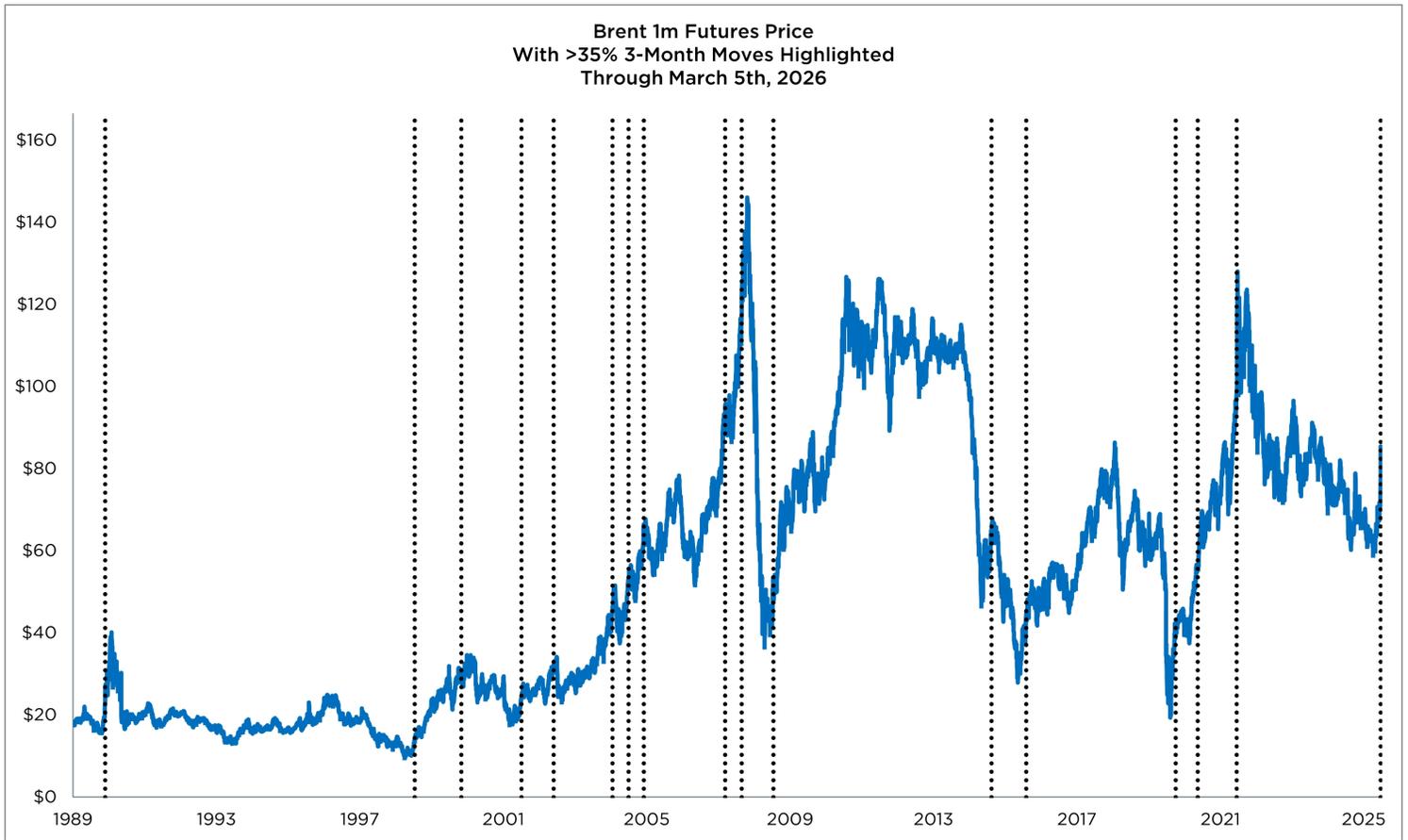
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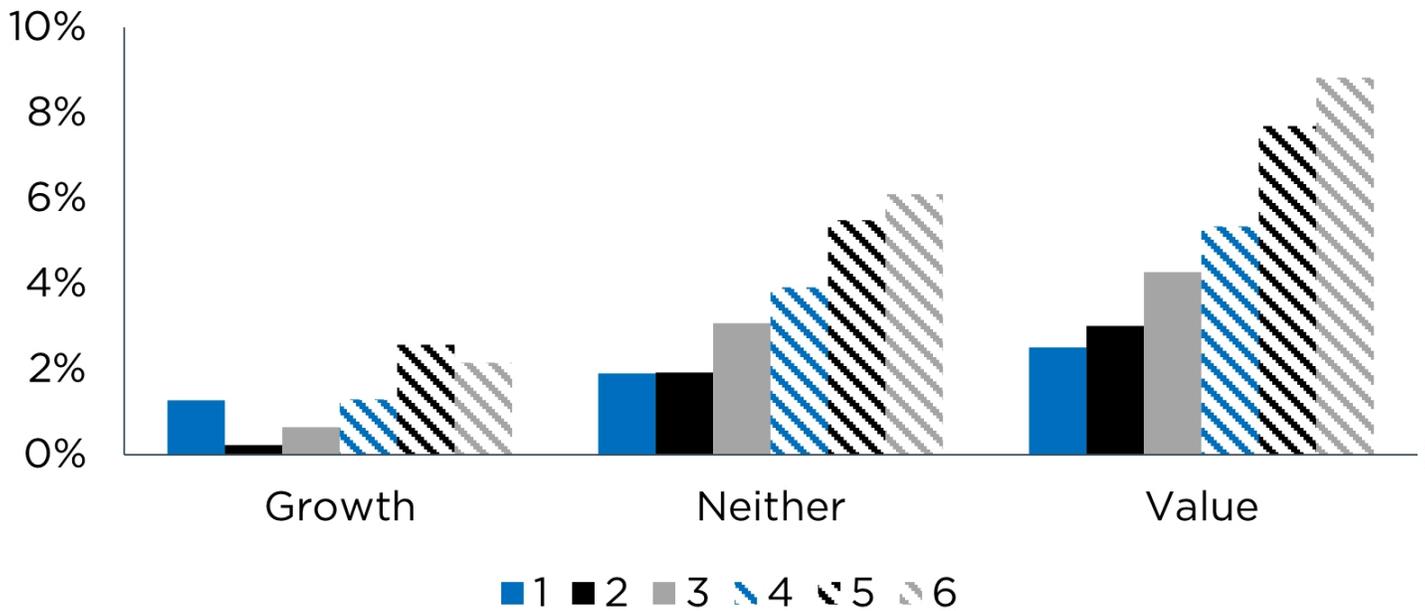
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Source: Trivariate Research, LP

We then studied the returns of major equity buckets like size, style, substance, and sector, to identify patterns of behavior in periods following large moves higher in the Oil price. Clearly, any ceasefire could cause a sharp counter rally to what has happened recently, including a sell-off in Energy and Industrial companies, but the current news makes it seem like this conflict could last for weeks, driving Oil higher. History shows that over most periods, one through six months following Oil spikes, Value stocks work best (see below). This is a function of the fact that investors in nervous times tend to reward hard assets over soft assets, and pay lower multiples for businesses that have a lot of their value in the terminal value, as we discussed last week.

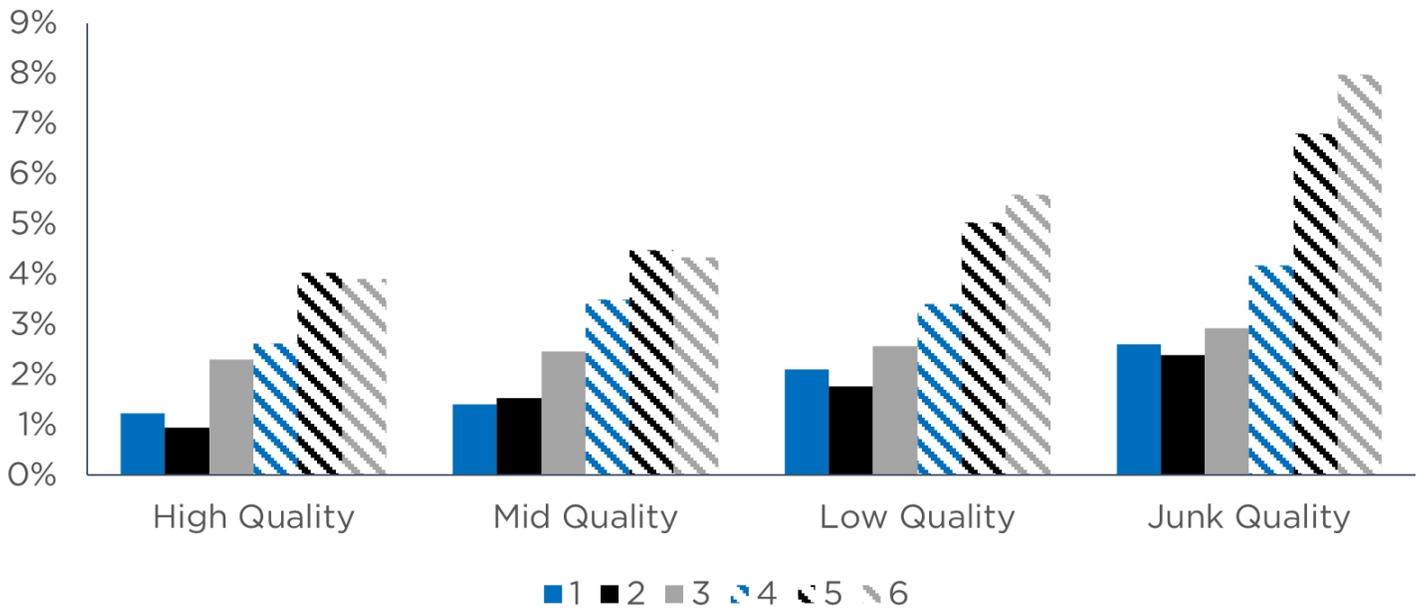
**Mean N Month Total Return by Style
After Brent Up >35% in 3 Months
Top 900 US Equities
Through End-February, 2026**



Source: Trivariate Research, LP

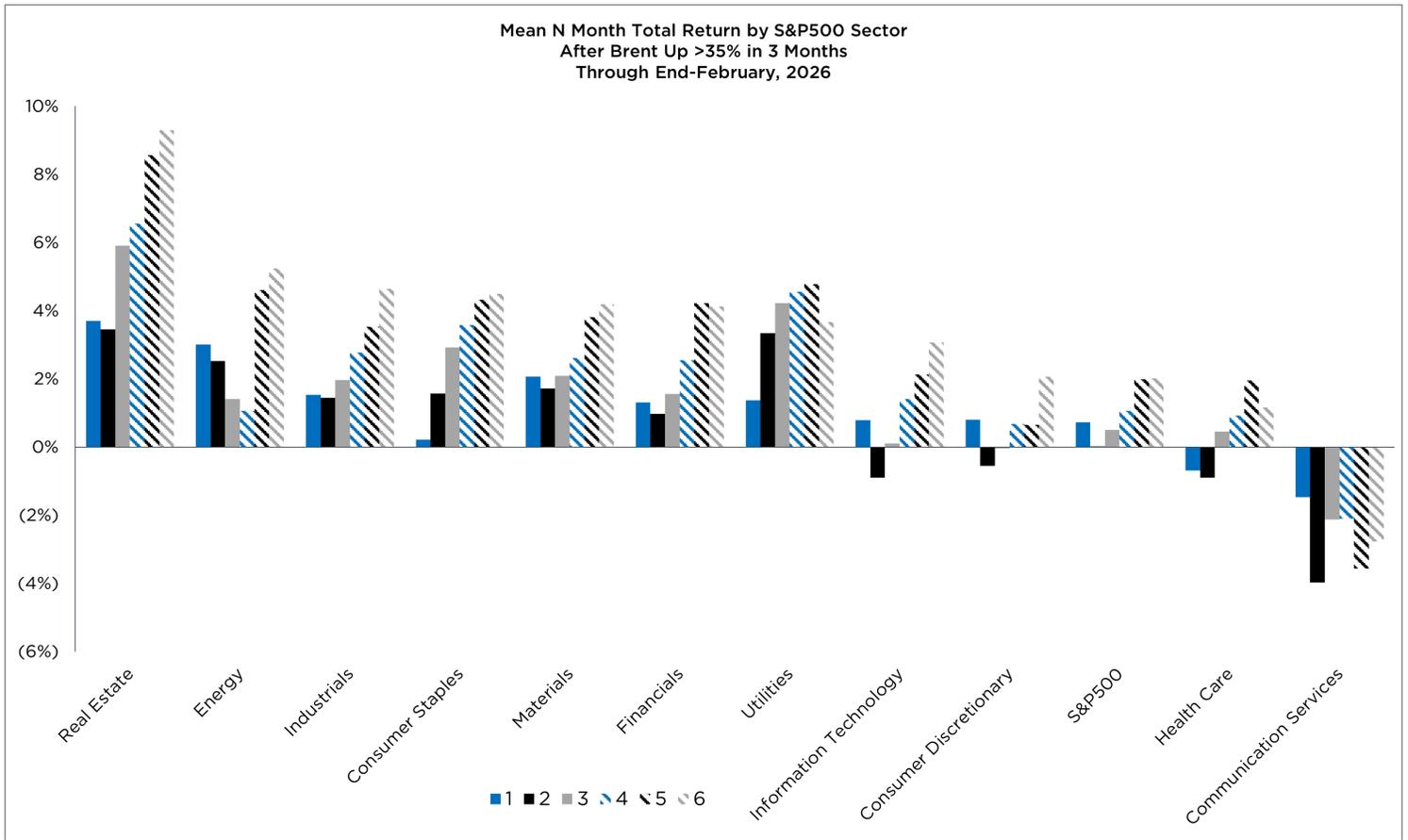
Because the market cap. of the growth universe has become increasingly high quality over time, and because historically many of the Energy stocks, which are direct beneficiaries of higher Oil prices were lower quality, it isn't surprising to see bottom-half quality stocks outperform in periods following higher Oil. Junk stocks have averaged 8% performance for the six months following Oil Spikes over the last 17 episodes, vs. around a 4% average for high-quality stocks (see below).

Mean N Month Total Return by Substance After Brent Up >35% in 3 Months Top 900 US Equities Through End-February, 2026



Source: Trivariate Research, LP

Mark-to-market, our year-ahead outlook call has been pretty good. We articulated a view that the probability the market multiple would be down is higher than it would be up. However, our sector recommendations this year have been poor so far. We analyzed the average sector performance following the last 17 periods of Oil spikes and found that typically the stock market is not great. On average, it appreciated only 2% six-months later. At the sector level, Real Estate, Energy, and Industrials are usually best, Communication Services, Healthcare, and Consumer Discretionary are worst (see below).



Source: Trivariate Research, LP

Today, the largest three sectors in the market are Technology, Communication Services, and Financials which account for 55% of the S&P500. This is sharply down year-to-date, and now at levels not seen since March 2025 at the height of the tariff fears. However, it is still not possible to follow the historical “Oil Spike” playbook, given the market concentration. We are generally worried about the Consumer given expectations, and remain neutral on Consumer Discretionary and negative on Consumer Staples. Our biggest overweight has been Healthcare, which has performed in-line with the S&P500 this year. We continue to like Healthcare, and aren’t convinced the historical underperformance following Oil spikes applies this time. We have been neutral on Energy and Real Estate, but could certainly see, despite the 25% increase year-to-date, that estimate achievability will be above average.

Largest Three Sectors
Market Cap. Share of S&P500
Through End-February, 2026



Source: Trivariate Research, LP

The market concentration has left the smallest four sectors, which include Energy, Materials, Real Estate, and Utilities too small to make enormous active bets on. In fact, the smallest four sectors are 9.8% of the S&P500 today, up from just over 8% (see below). For sure investors can own Energy if they are S&P500 indexed and benefit from what is likely higher-than-expected estimate achievability. A big fear investors have however, is that President Trump will “declare victory,” even if there are months or years of diplomacy ahead, causing a huge reversal in recent price action. Our suspicion is Oil will trend higher, and adding to Energy stocks is prudent, particularly given how small the sector is relative to the index weight.

Smallest Four Sectors
Market Cap. Share of S&P500
Through End-February, 2026



Source: Trivariate Research, LP

Stocks that are bottom-half quality, value, and have low correlation to changes in the oil price but are forecasted to have gross margin expansion may be a good place to look. Several of them are stocks that are down this year, with CLX, IFF, and SJM notable exceptions (see below).

Stocks with Forecasted Gross Margin Expansion, Low Correlation to Oil Price Bottom-Half Quality, Value Mid-Cap or Larger As of March 6th, 2026						
Ticker	Name	Industry	Market Cap. (\$US Bil.)	Corr. to Oil Price	YTD Performance	
UNH	UnitedHealth Group Incorporated	Health Care Providers & Services	260.03	(11.7%)	(13.2%)	
CVS	CVS Health Corporation	Health Care Providers & Services	99.13	(6.1%)	(1.0%)	
CLX	The Clorox Company	Household Products	13.86	(2.5%)	15.0%	
F	Ford Motor Company	Automobiles	48.47	(1.0%)	(6.4%)	
LUMN	Lumen Technologies, Inc.	Diversified Telecommunication Services	6.78	0.4%	(14.8%)	
GAP	The Gap, Inc.	Specialty Retail	8.66	0.8%	(8.5%)	
IFF	International Flavors & Fragrances Inc.	Chemicals	18.85	0.9%	9.5%	
CCL	Carnival Corporation & plc	Hotels, Restaurants & Leisure	35.71	1.0%	(15.2%)	
BAX	Baxter International Inc.	Health Care Equipment & Supplies	9.10	1.1%	(7.4%)	
SJM	The J. M. Smucker Company	Food Products	11.86	1.1%	14.8%	

Source: Trivariate Research, LP

One conclusion we had from the Oil Spike analysis is that it may provide investors with another excuse to be cautious on Financials. We have been wavering on our overweight recommendation, worried it was crowded and that many stocks may not benefit as much as investors think. Misinformation and negative sentiment have crushed the Alternative Asset Managers. A few investors pitched to us that despite some real problems in lending in the private market in Software, that some of the larger public Alternative Asset Managers were oversold. Thinking back to the Presidential Election in 2024, investors were wildly bullish on less regulation and more M&A and transactions. Even last Monday during the Iran War, there was over \$20 Billion dollars of paper being offered in the aftermarket. Yet, the performance of the large cap. Financials like JPM, GS, and MS has been dramatically better than KKR, BX, and APO, causing some to ask whether there was a big opportunity forming. KKR was pitched twice at a stock idea dinner we held last week. Friends of ours at the major Alternative Asset managers are flummoxed by the price action. Below we show the performance of select major Financials since the election, with KKR, APO,

BX, and ARES down well more than 25% at the same time major banks like JPM, MS, and GS have all been strong performers. We aren't sure about timing, and wouldn't be surprised if the next few months were still rough for some of the Alts, but for investors with a longer horizon, this might be a decent entry point to nibble at KKR or BX.

Price Performance of Select Major Financials Since Presidential Election November 4th, 2024

Ticker	Price		Performance
	11/4/2024	Price 03/6/2026	
KKR	138.99	91.33	(34.3%)
APO	149.27	108.70	(27.2%)
BX	169.62	110.40	(34.9%)
ARES	164.44	110.01	(33.1%)
OWL	21.31	9.89	(53.6%)
JPM	221.49	289.48	30.7%
MS	117.81	160.27	36.0%
GS	526.96	821.42	55.9%
C	63.37	106.53	68.1%
WFC	63.70	80.42	26.2%
BAC	41.33	48.64	17.7%

Insiders are also buying the stock personally, see the 8-figure purchases from Senior executives at KKR as an example, as a signal for sure, but also likely because they see it as a money-making opportunity. We studied insider buying to see if there was any subsequent return from this activity. Below we show the Sharpe ratio for various strategies, using total returns over the last ten years. The first column shows the number of prior months to aggregate the insider buys or sells. The second column describes if companies had net buys or sells for open market insider transactions. The cells in the table show the Sharpe ratio, or the volatility-adjusted return from these strategies. It turns out that insider net buying is a positive signal for one month subsequent return when stocks are cheap, and a negative one when there are net sells. Valuation doesn't seem to matter in the middle of the distribution (see below).

Sharpe Ratio Performance Last 10 Years Insider Buys / Sells / No Action by Valuation of Company

Over Last N Months	Insider Buys?	Cheap	Q2	Q3	Q4	Expensive
1	Net Buys	0.87	0.66	0.48	0.49	0.83
1	No Buys or Sells	0.62	0.69	0.81	0.76	0.82
1	Net Sells	0.33	0.64	0.65	0.81	0.79
3	Net Buys	0.62	0.68	0.65	0.70	0.67
3	No Buys or Sells	0.58	0.67	0.87	0.78	0.79
3	Net Sells	0.60	0.71	0.75	0.75	0.82
6	Net Buys	0.63	0.56	0.67	0.69	0.66
6	No Buys or Sells	0.56	0.69	0.86	0.77	0.77
6	Net Sells	0.60	0.70	0.79	0.76	0.85
12	Net Buys	0.62	0.62	0.76	0.61	0.70
12	No Buys or Sells	0.47	0.58	0.87	0.78	0.70
12	Net Sells	0.60	0.72	0.78	0.78	0.83

Source: Trivariate Research, LP

Who has bought the stock recently that is in the cheapest quintile vs. its own history? Below we show some of the management teams doing buybacks, and these are the stocks that are cheap vs. their own history (cheapest quintile) and in the cheapest 40% of the universe on price-to-forward earnings, where generally the net insider buying has been a positive near-term signal.

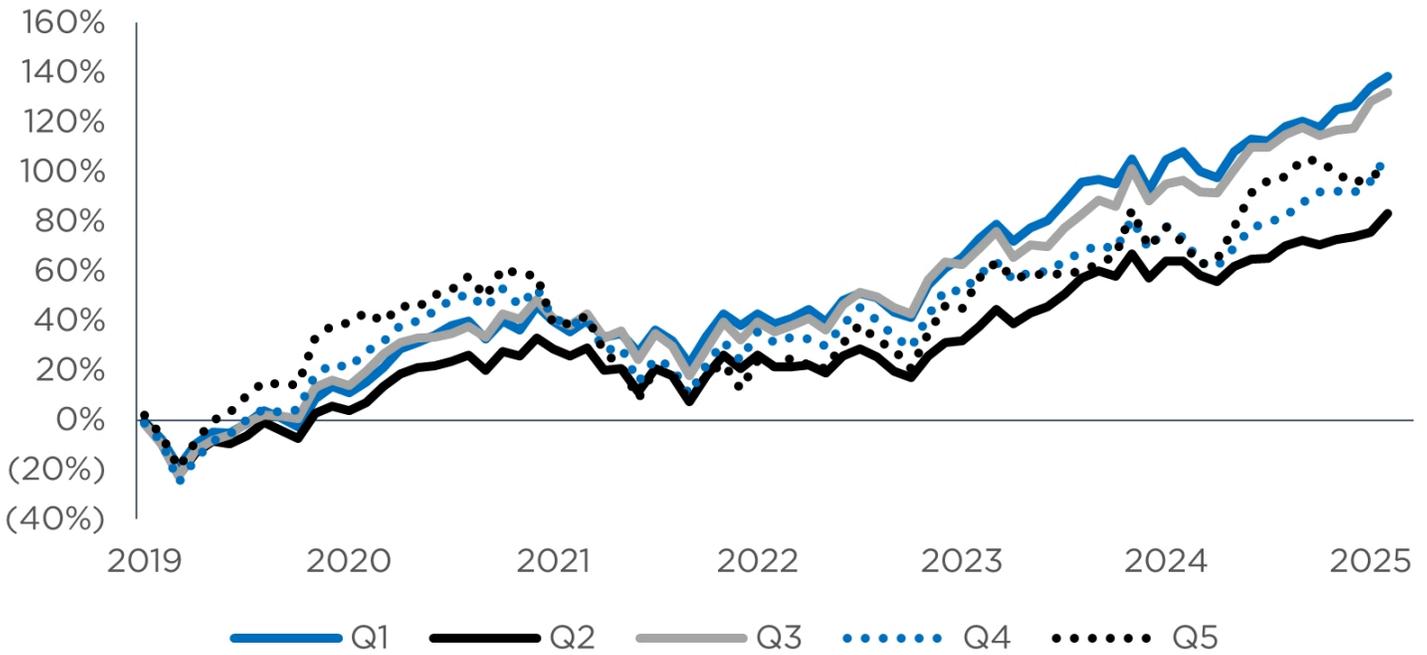
Companies with Net Insider Buying in the Last Month
 Cheapest 40% of Market on Price-to-Forward Earnings
 Cheapest Quartile vs. Their Own History
 As of March 6th, 2026

Ticker	Company	Sector	Market Cap. (US \$ Bil.)
NFLX	Netflix, Inc.	Communication Services	418.1
VZ	Verizon Communications Inc.	Communication Services	215.6
DIS	The Walt Disney Company	Communication Services	179.9
SHOP	Shopify Inc.	Information Technology	169.8
SCHW	The Charles Schwab Corporation	Financials	166.9
UBER	Uber Technologies, Inc.	Industrials	154.6
PGR	The Progressive Corporation	Financials	123.4
MDT	Medtronic plc	Health Care	116.7
AEM	Agnico Eagle Mines Limited	Materials	110.6
EQIX	Equinix, Inc.	Real Estate	92.1
MELI	MercadoLibre, Inc.	Consumer Discretionary	90.6
BX	Blackstone Inc.	Financials	86.5
KKR	KKR & Co. Inc.	Financials	81.4
USB	U.S. Bancorp	Financials	81.4
DASH	DoorDash, Inc.	Consumer Discretionary	77.8
SNDK	Sandisk Corporation	Information Technology	77.8
TRGP	Targa Resources Corp.	Energy	51.0
BDX	Becton, Dickinson and Company	Health Care	47.6

Source: Trivariate Research, LP

When the market is volatile, investors often ask us about short interest. We are wary of being long stocks that have very high short interest, but we sliced the mega-/large-cap. universe into quintiles based on short interest and have not found any meaningful cumulative return differentials since 2020. Yes, the least shorted stocks have performed best, but the second quintile of least shorted have performed worst, so our confidence in the metric isn't strong (see below).

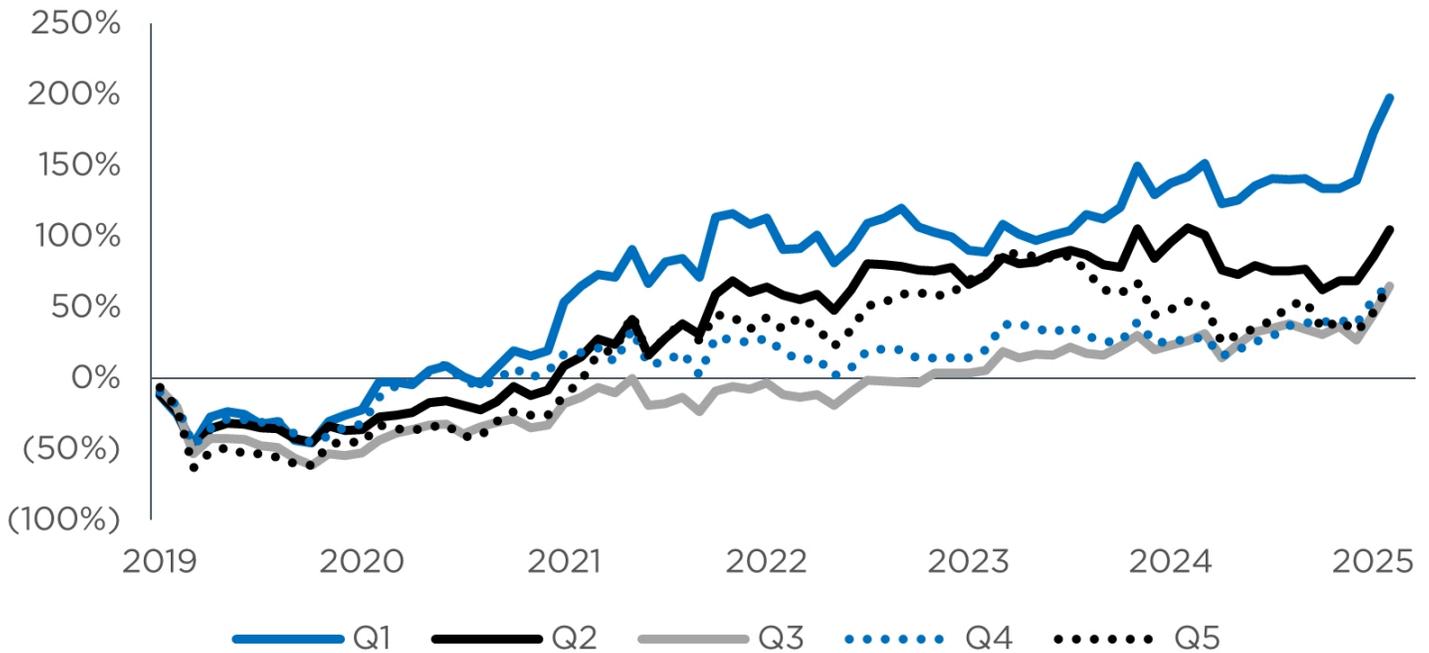
Mega / Large Cap. Cumulative Return by Short Interest-to-Float Cap. Quintile Through End-February, 2026



Source: Trivariate Research, LP

Given Energy and Communication Services were also historically sectors that performed well following an Oil spike we show the cumulative performance of short interest quintiles for both below. The least shorted Energy stocks are clearly best, and should be a good focal point for investors looking to add Energy on the higher recent prices.

Mega / Large Cap. Energy Cumulative Return by Short Interest-to-Float Cap. Quintile Through End-February, 2026



Source: Trivariate Research, LP

The mega-/large-cap. Energy stocks with the lowest short interest are not surprising, and include CVX, WMB, and XOM, among others.

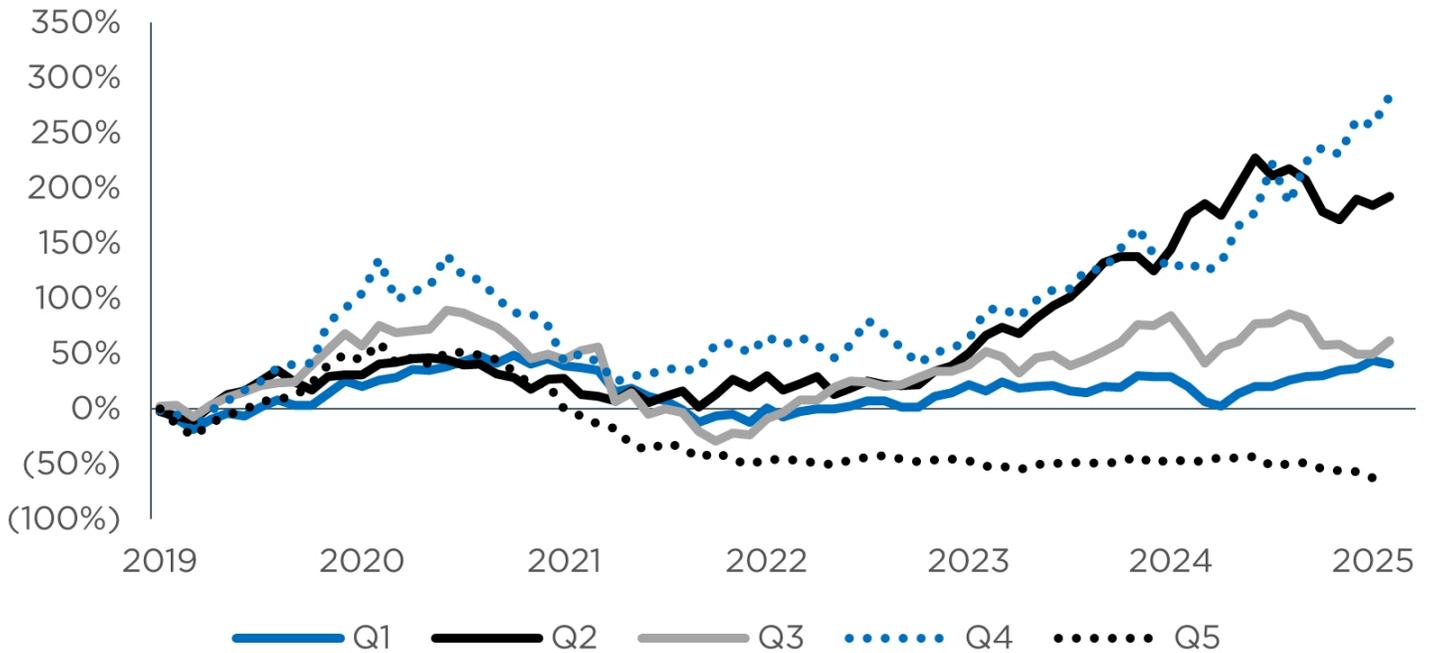
Mega-/Large-Cap. Energy Stocks With Low Short Interest As of March 6th, 2026

Ticker	Name	Market Cap (US Bil.)	Short Interest to Float Cap.
CVX	Chevron Corporation	372.66	1.2%
WMB	The Williams Companies,	91.28	1.3%
XOM	Exxon Mobil Corporation	635.43	1.4%
COP	ConocoPhillips	138.69	1.6%
LNG	Cheniere Energy, Inc.	49.55	1.7%
PSX	Phillips 66	61.85	1.8%
KMI	Kinder Morgan, Inc.	74.02	2.4%

Source: Trivariate Research, LP

Since 2020, short interest has also worked at identifying underperforming Communication Services stocks among mega-/large-caps. By far the worst performing stocks in Comm. Services are those in the fifth (highest) quintile of short interest.

Mega / Large Cap. Communication Services Cumulative Return by Short Interest-to-Float Cap. Quintile Through End-February, 2026



Source: Trivariate Research, LP

The mega-/large-cap. Communication Services stocks with the highest short interest include CHTR (deal stocks), ASTS, and RDDT, among others (see below).

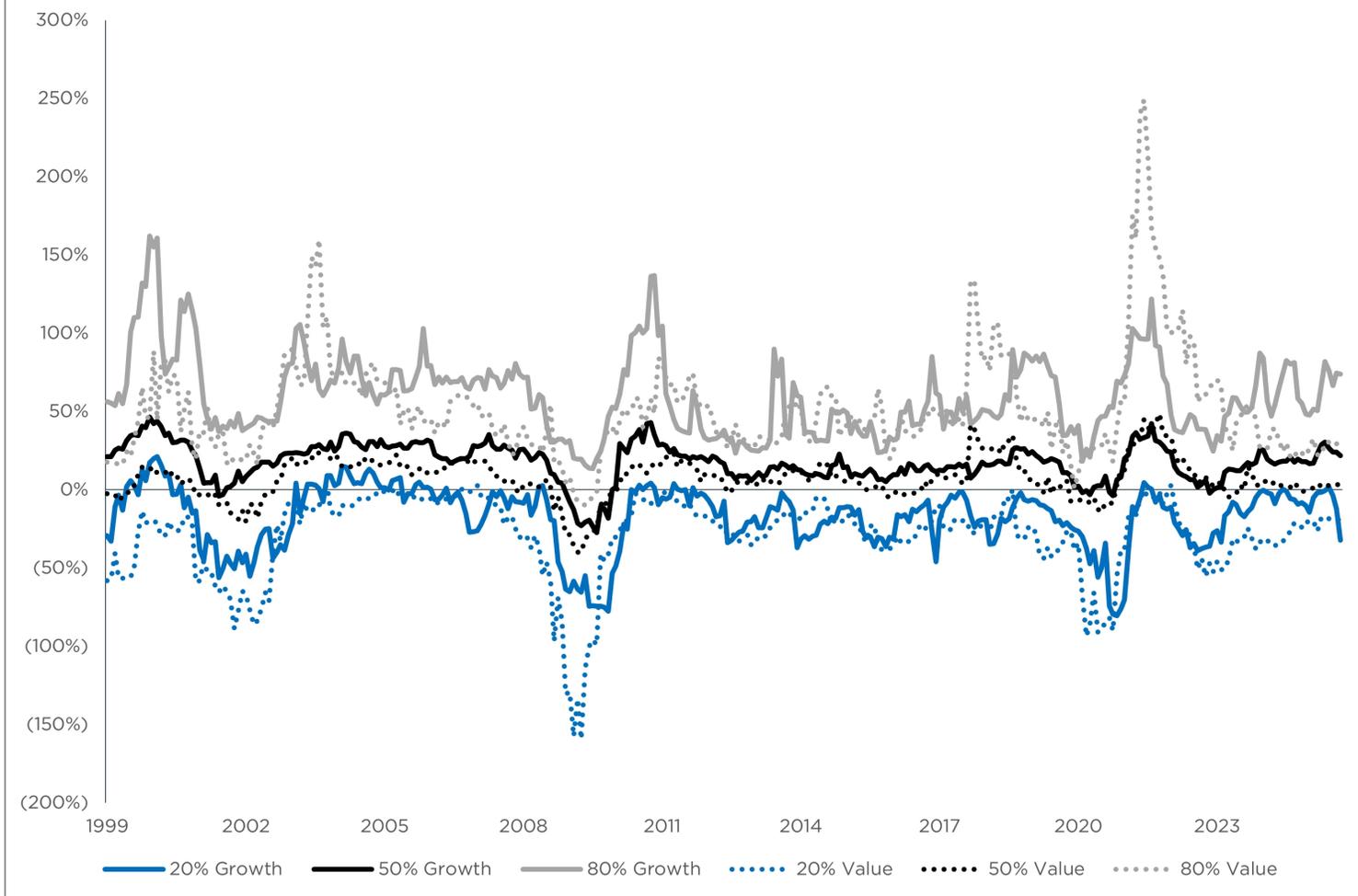
Mega-/Large-Cap. Comm. Services Stocks With High Short Interest As of March 6th, 2026

Ticker	Name	Market Cap (US Bil.)	Short Interest to Float Cap.
CHTR	Charter Communications, Inc.	29.71	19.8%
ASTS	AST SpaceMobile, Inc.	22.74	19.5%
RDDT	Reddit, Inc.	27.85	13.2%
LYV	Live Nation Entertainment, Inc	37.68	10.3%
FOXA	Fox Corporation	22.93	10.0%
OMC	Omnicom Group Inc.	26.47	8.5%

Source: Trivariate Research, LP

An investor asked us last week if value stocks grow their earnings faster than growth stocks. The answer is NO. There have been periods where the 80th percentile value stocks (grey dashed line below) have grown faster than the 80th percentile growth stocks (solid gray), but the median growth stock nearly always has higher EPS growth than the median value stocks (see below).

Mega / Large Cap.
 Select Percentiles of EPS Growth
 Through End-February, 2026



Source: Trivariate Research, LP

We think the tenor of the question was more about the fact that more of the growth universe has its value in the terminal value, and that in a regime of uncertainty, investors should pay a lower multiple for earnings than when things are more certain. From that standpoint, value in today's world is more certain than growth, so the growth universe will likely see multiple contraction. Stocks that are forecasted to have gross margin contraction and are cheap vs. their own history on price-to-forward earnings are potentially interesting ideas. Below we show stocks that fit this attributes as potential long ideas in this uncertain regime.

Forecasted Gross Margin Expansion, Cheap vs. Own History and Less than 18x P/E
As of End-February, 2026

Ticker	Company	Sector	Market Cap. (US \$ Bil.)	Gross Margin	Forecasted Gross Margin	Price-to- Forward Earnings
QCOM	QUALCOMM Incorporated	Information Technology	151.9	55.1%	55.3%	12.8x
NEM	Newmont Corporation	Materials	141.4	63.2%	70.4%	14.4x
BDX	Becton, Dickinson and Company	Health Care	50.3	46.8%	55.1%	14.2x
CCL	Carnival Corporation & plc	Consumer Discretionary	43.6	55.5%	75.6%	12.4x
KMB	Kimberly-Clark Corporation	Consumer Staples	37.0	37.3%	38.0%	14.7x
PAYX	Paycom Software, Inc.	Industrials	33.6	73.4%	74.1%	16.2x
IQV	IQVIA Holdings Inc.	Health Care	30.3	33.3%	33.4%	14.1x
BIIB	Biogen Inc.	Health Care	28.2	75.0%	78.6%	12.2x
EXPE	Expedia Group, Inc.	Consumer Discretionary	26.4	90.1%	90.5%	11.1x
AMCR	Amcor plc	Materials	22.4	18.9%	21.3%	11.5x
FSLR	First Solar, Inc.	Information Technology	21.2	40.6%	49.2%	11.2x
INCY	Incyte Corporation	Health Care	20.2	53.6%	92.8%	13.3x
NTAP	NetScout Systems, Inc.	Information Technology	19.5	70.5%	71.0%	11.6x
ZBH	Zimmer Biomet Holdings, Inc.	Health Care	19.3	69.7%	70.8%	11.7x
SSNC	SS&C Technologies Holdings, Inc.	Industrials	18.4	48.2%	59.0%	11.0x
CDW	CDW Corporation	Information Technology	15.8	21.7%	21.8%	11.7x
APTIV	Aptiv PLC	Consumer Discretionary	15.6	19.2%	19.6%	8.7x
TRU	TransUnion	Industrials	15.1	59.1%	59.1%	16.6x
ALGN	Align Technology, Inc.	Health Care	13.6	67.9%	71.3%	16.9x
BF.B	Brown-Forman Corporation	Consumer Staples	13.5	59.1%	59.5%	16.7x
NBIX	Neurocrine Biosciences, Inc.	Health Care	13.3	62.7%	98.0%	16.7x
BBY	Best Buy Co., Inc.	Consumer Discretionary	13.0	22.5%	22.5%	9.3x
GDDY	GoDaddy Inc.	Information Technology	11.6	63.6%	63.8%	9.7x
CHWY	Chewy, Inc.	Consumer Discretionary	11.4	29.6%	30.1%	17.5x

Source: Trivariate Research, LP

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Analyst Certification

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