

# **Relationship Between Equity and Energy Prices**

**Presented to  
Economics Society of Calgary - Fall Seminar  
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**Presented by  
Wilfred A. Gobert, CFA  
Peters & Co. Limited**



# Equity and Energy Prices Summary

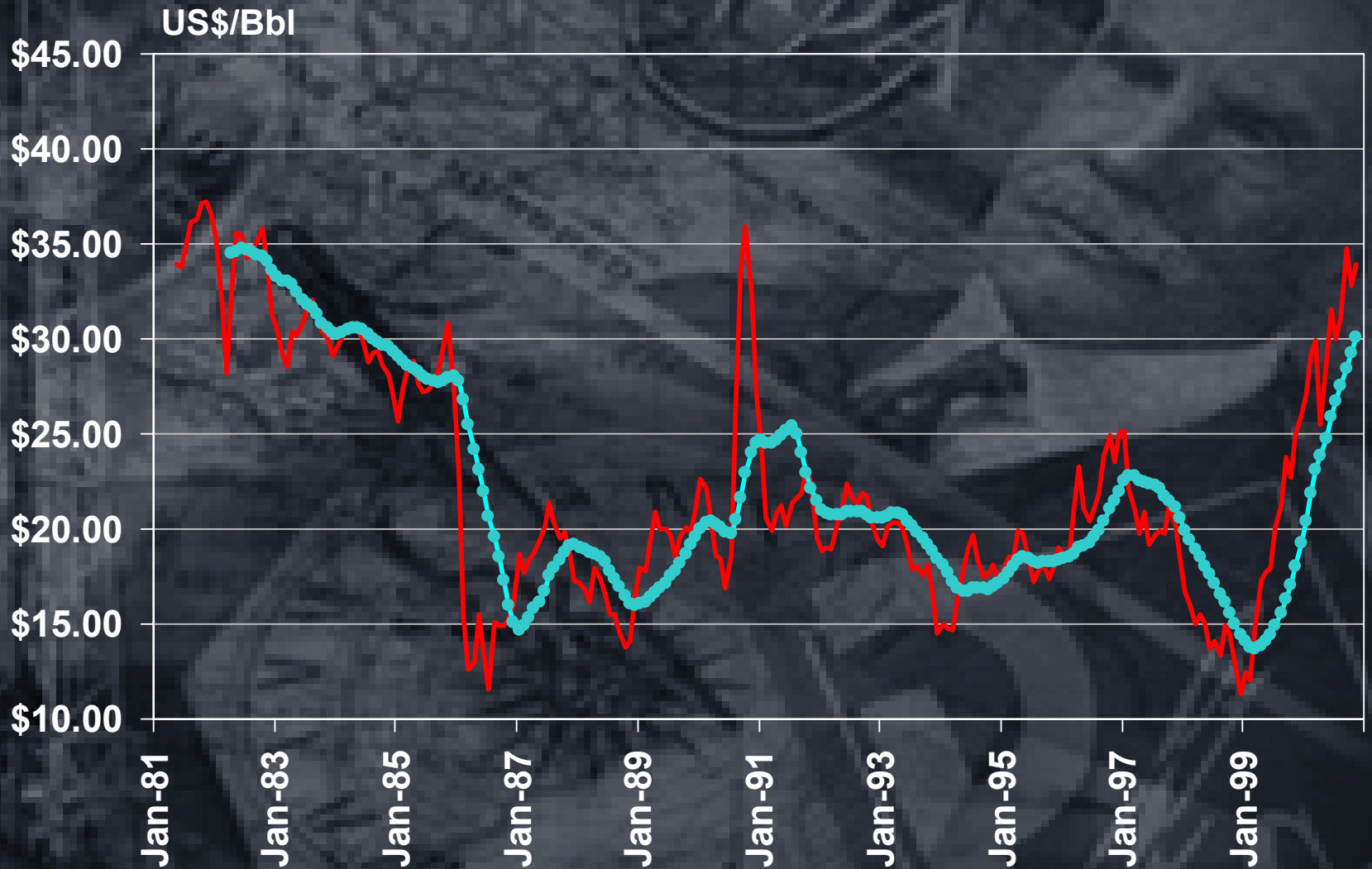
- Record high oil and natural gas prices
- Historical equity versus energy prices
- Bull and bear markets
- Stock valuations

# Equity and Energy Prices

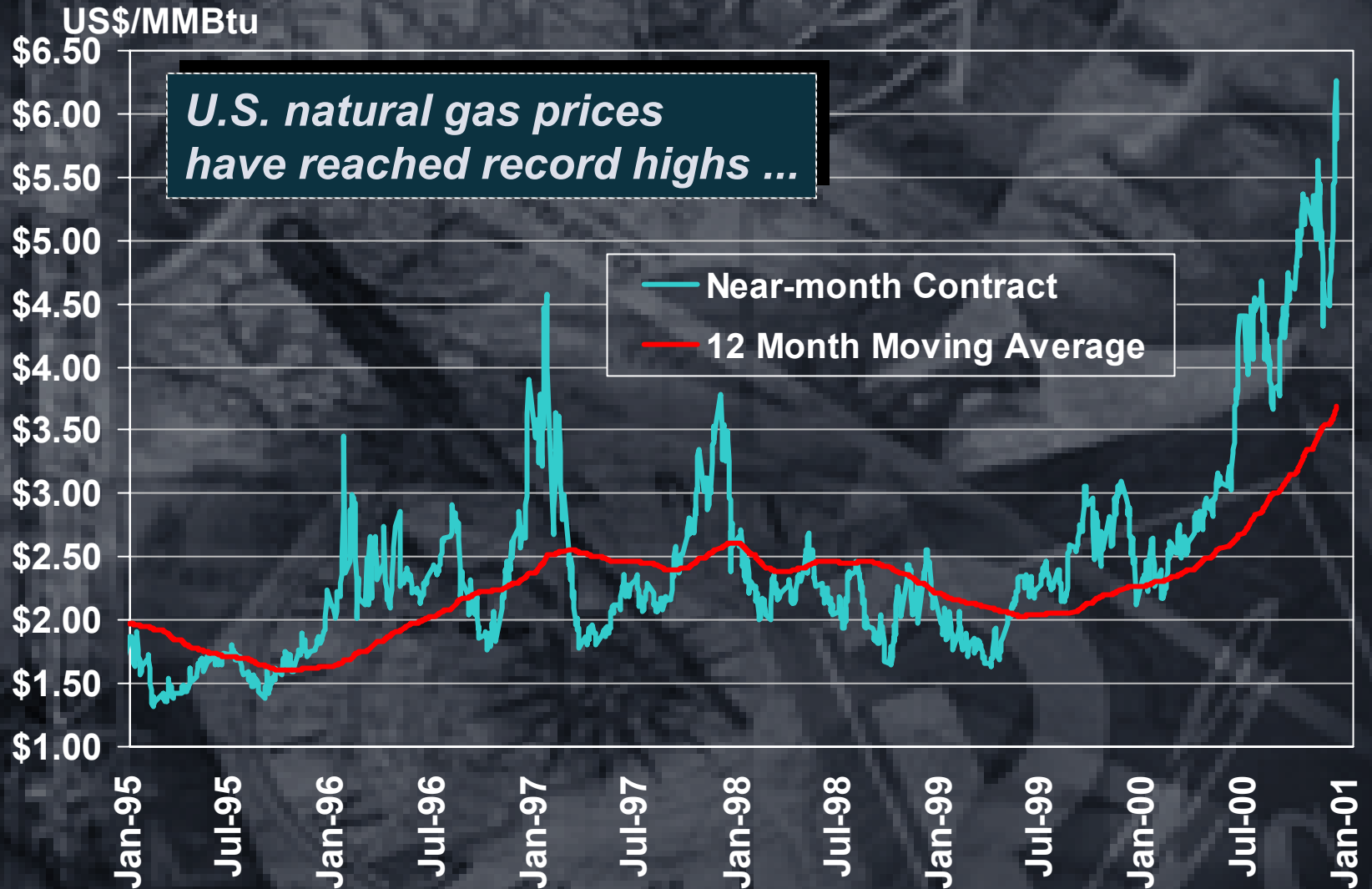
## Record high oil & gas prices

- NYMEX oil prices
- NYMEX gas prices
- Industry cash flow

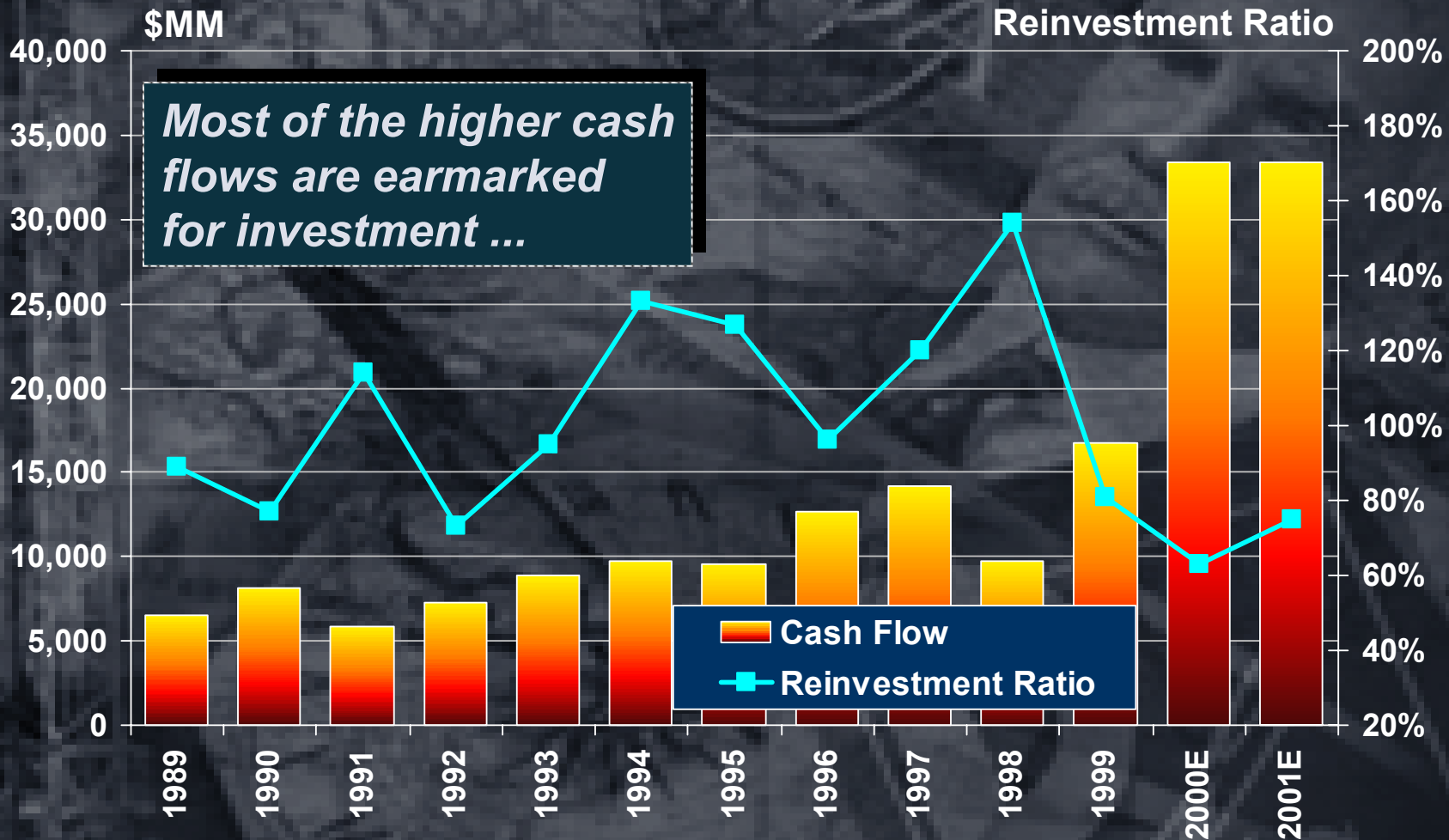
# NYMEX WTI Near-Month Average



# NYMEX Gas Henry Hub Near-Month Futures



# Industry Cash Flow and Reinvestment



Source: CAPP and Peters & Co. estimates.

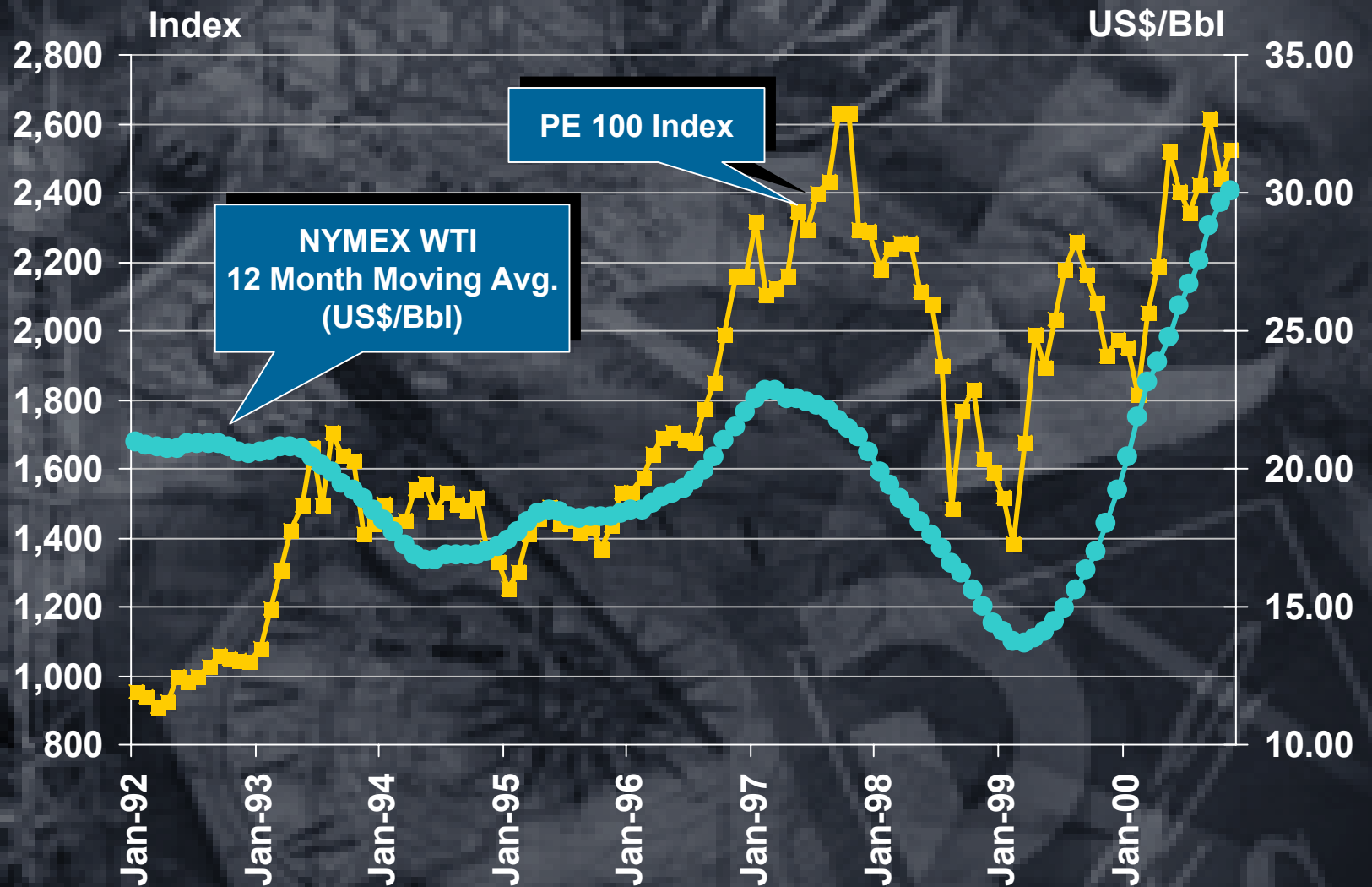
Note: Reinvestment Ratio = [capital spending/cash flow]

# Equity and Energy Prices

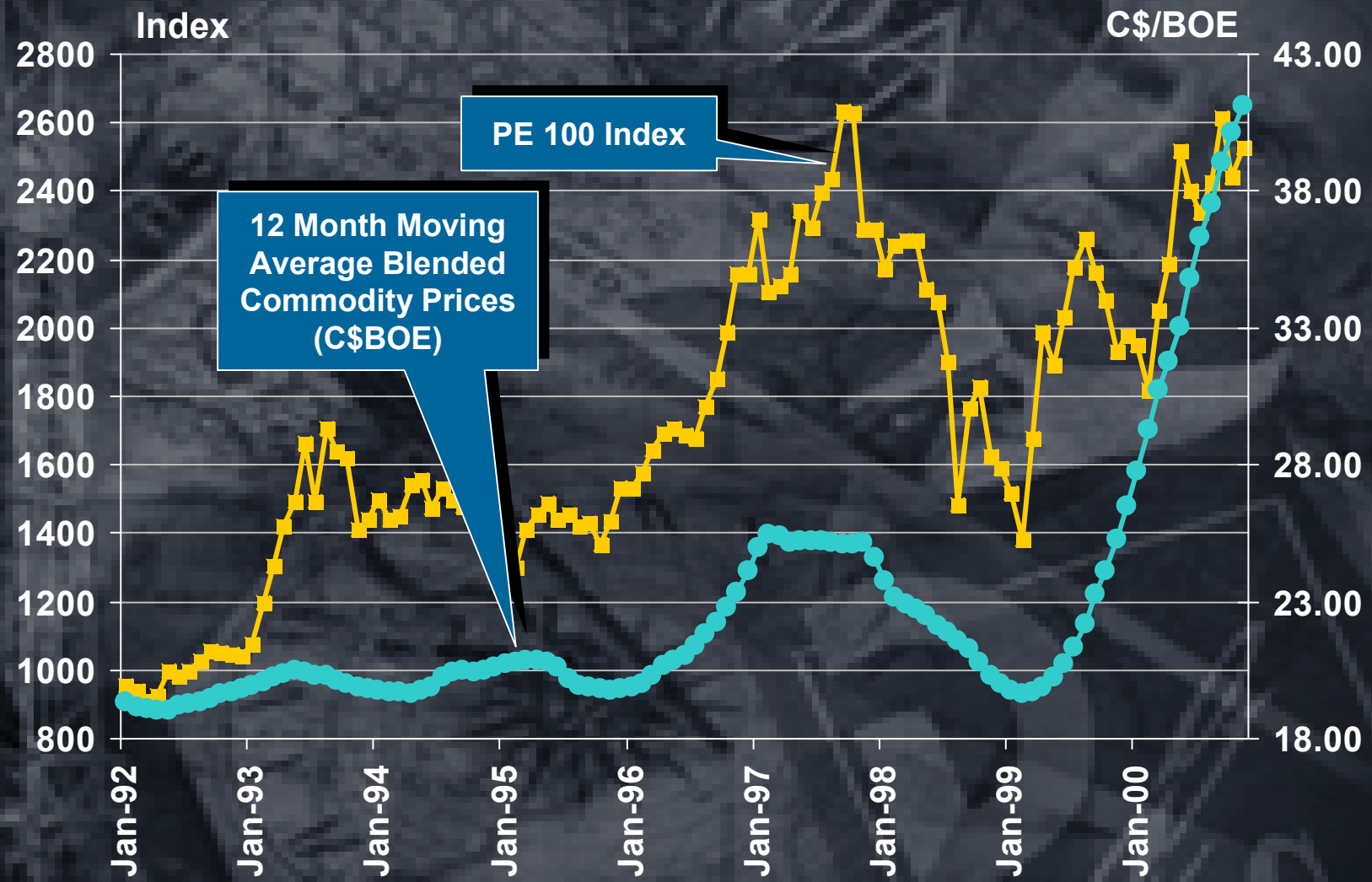
## Historical equity versus energy prices

- PE100 Index versus NYMEX WTI
- PE100 Index versus blended oil & natural gas

# PE 100 Index and NYMEX WTI



# PE 100 Index and Blended Commodity Prices



Note: Commodity Prices Blended on 60/40 basis, 10 Mcf = 1 BOE.

# Equity and Energy Prices

## Bull and bear markets

- Bull/bear markets in energy since 1970
- Energy stocks in bull versus bear market cycles

# Energy Bull & Bear Markets

## TSE Oil & Gas Index

	Hi	Low	Prev Year High to Next Year Low	Prev Year Low to Next Year High	Bear Phase	Bull Phase
1970	994	648	-54.0%	10.1%	-54.0%	
1971	1196	968	-2.6%	84.5%		
1972	1643	1234	3.2%	69.6%		
1973	1675	1250	-23.9%	35.8%		158.5%
1974	1525	678	-59.5%	22.0%	-59.5%	
1975	1132	752	-50.7%	66.9%		
1976	1207	946	-16.4%	60.5%		
1977	1491	1054	-12.7%	57.6%		
1978	1849	1302	-12.7%	75.5%		
1979	3813	1836	-0.7%	192.9%		
1980	5190	3363	-11.8%	182.7%	-35.2%	665.0%
1981	5215	3104	-40.2%	55.0%		55.0%
1982	3716	2292	-56.0%	19.7%	-56.0%	
1983	4009	2602	-30.0%	74.9%		74.9%
1984	3563	2843	-29.1%	37.0%	-29.1%	
1985	3609	2889	-18.9%	26.9%		26.9%
1986	3324	2314	-35.9%	15.1%	-35.9%	
1987	4777	2964	-10.8%	106.5%		106.5%
1988	4110	3271	-31.5%	38.7%	-31.5%	
1989	4568	3599	-12.4%	39.6%		
1990	4636	3898	-14.7%	28.8%		41.7%
1991	4063	3063	-33.9%	4.2%		
1992	3260	2988	-26.5%	6.4%	-35.6%	
1993	5282	3259	0.0%	76.8%		76.8%
1994	4823	4049	-23.4%	48.0%		
1995	4748	3811	-21.0%	17.3%	-27.8%	
1996	6582	4667	-1.7%	72.7%		
1997	8094	6051	-8.1%	73.4%		112.4%
1998	6747	4382	-45.9%	11.5%		
1999	6908	3958	-41.3%	57.7%	-51.1%	
2000TD	8605	5381	-22.1%	117.4%		117.4%
<b>Average</b>			<b>-24.0%</b>	<b>57.6%</b>	<b>-41.6%</b>	<b>143.5%</b>

# PE 100 Bull-Bear

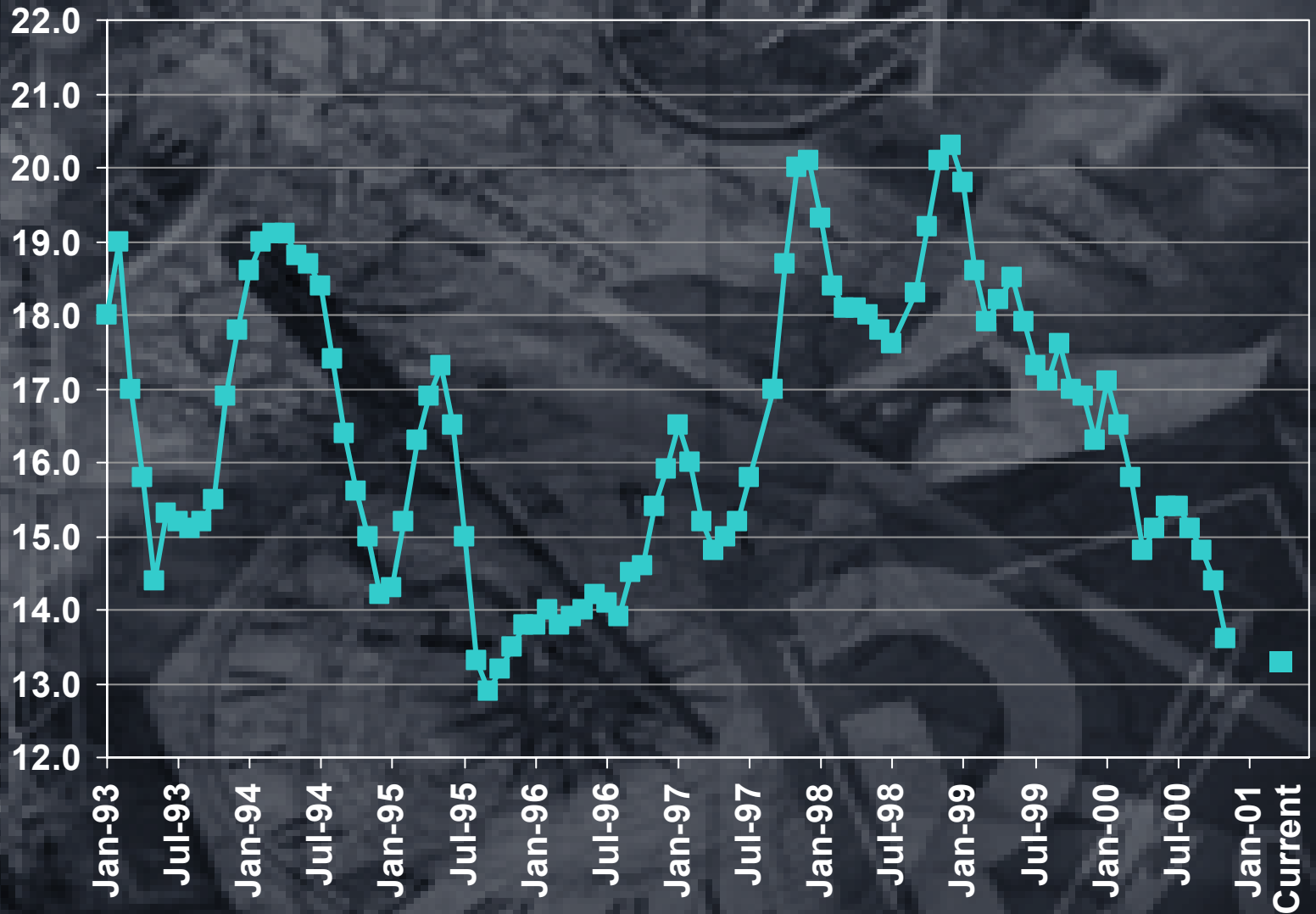
	<b>Bull 1992-93</b>	<b>Bear 1993-95</b>	<b>Bull 1995-97</b>	<b>Bear 1997-99</b>	<b>Bull 99-00</b>
<b>Peters Energy 100</b>	<b>93%</b>	<b>-29%</b>	<b>124%</b>	<b>-52%</b>	<b>86%</b>
<b>Integrated Oils</b>	<b>34%</b>	<b>-8%</b>	<b>132%</b>	<b>-36%</b>	<b>89%</b>
<b>Large Producers</b>	<b>81%</b>	<b>-26%</b>	<b>95%</b>	<b>-51%</b>	<b>95%</b>
<b>Intermediate Producers</b>	<b>195%</b>	<b>-46%</b>	<b>76%</b>	<b>-65%</b>	<b>31%</b>
<b>Junior Producers</b>	<b>172%</b>	<b>-41%</b>	<b>237%</b>	<b>-71%</b>	<b>89%</b>
<b>Small Producers</b>	<b>265%</b>	<b>-42%</b>	<b>229%</b>	<b>-64%</b>	<b>150%</b>
<b>Oilfield Service</b>	<b>184%</b>	<b>-45%</b>	<b>679%</b>	<b>-73%</b>	<b>155%</b>
<b>PE 100 Natural Gas</b>	<b>311%</b>	<b>-46%</b>	<b>113%</b>	<b>-42%</b>	<b>72%</b>
<b>PE 100 International</b>	<b>31%</b>	<b>-3%</b>	<b>153%</b>	<b>-69%</b>	<b>122%</b>
<b>TSE 300</b>	<b>21%</b>	<b>8%</b>	<b>62%</b>	<b>-13%</b>	<b>45%</b>

# Equity and Energy Prices

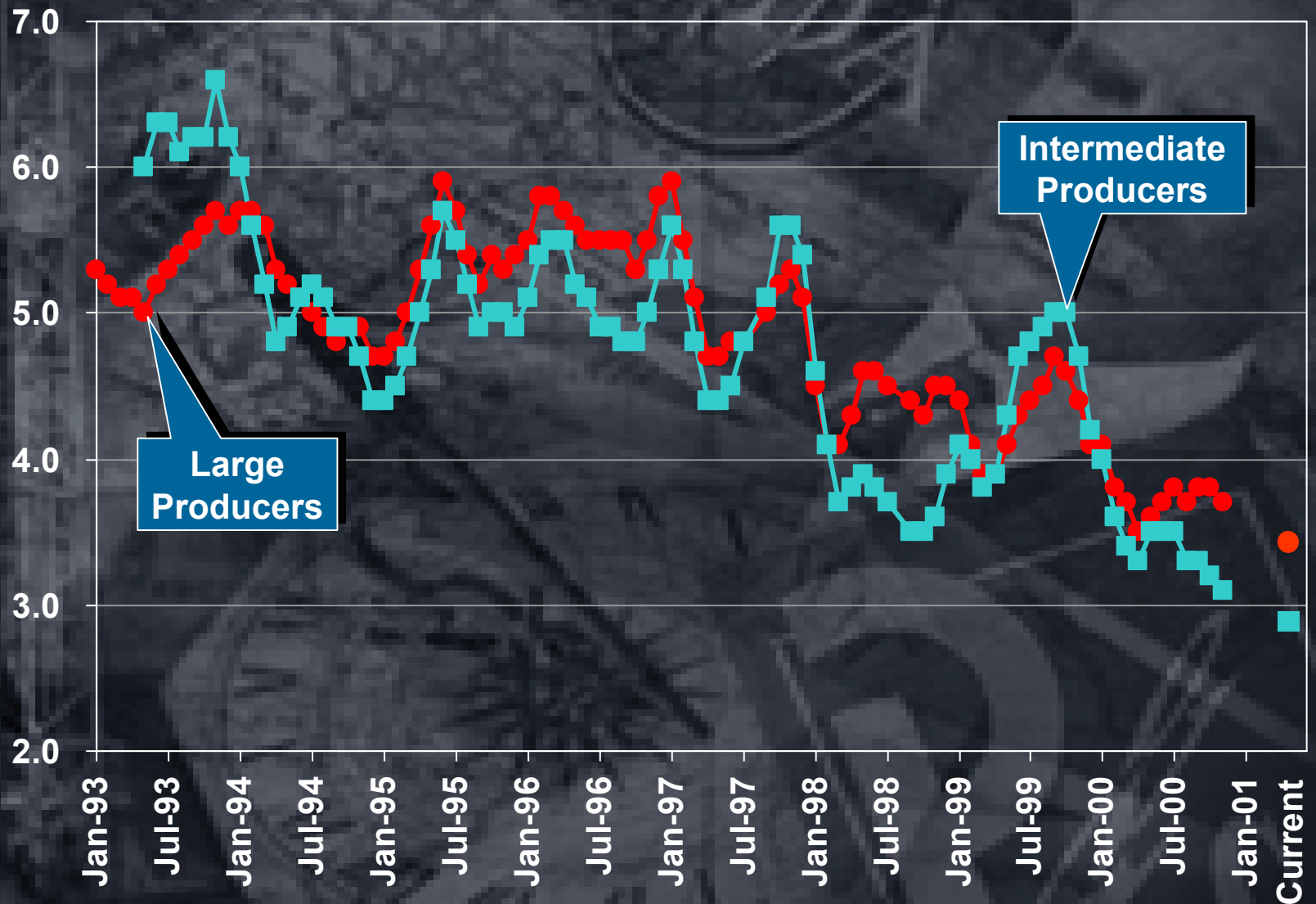
## Stock valuations

- Integrated oils and P/E ratios
- Large & Intermediate Producers versus P/CF ratios
- Junior & Small Producers versus P/CF ratios

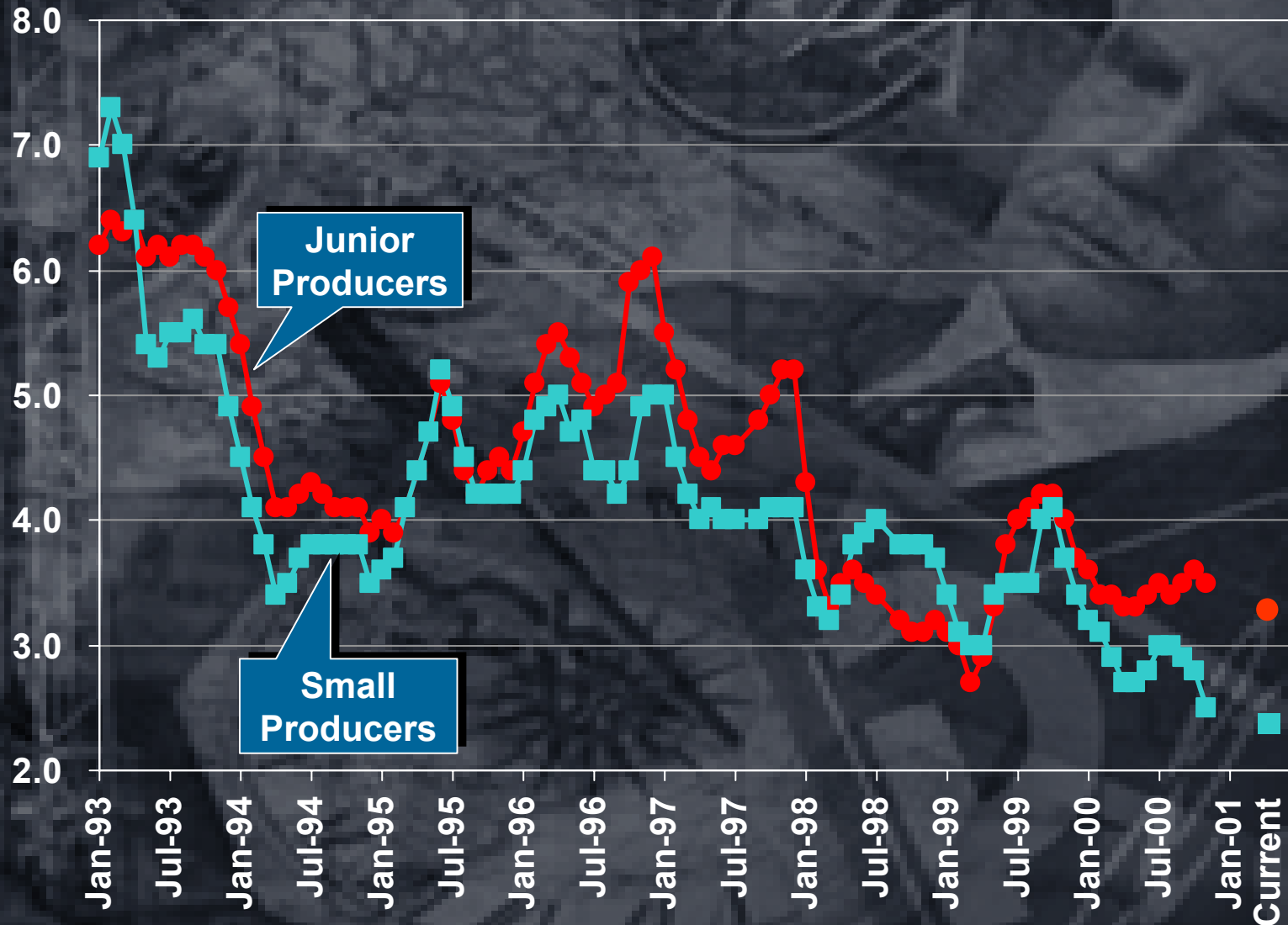
# Integrated Oils - P/E Ratio, Next Year Est. 3 Month Moving Averages



# Large Cap E&P - P/CF Ratios, Next Year Est. 3 Month Moving Averages



# Small Cap E&P - P/CF Ratios, Next Year Est. 3 Month Moving Averages



# Equity and Energy Prices

## Conclusions

- Future oil prices are in a higher band width than historical.
- A new era of natural gas prices for North America.

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