Energy makes its mark

Geoff Yu September 9, 2026

Key Highlights

- NOK and CAD outperform after oil move
- Energy equities find bids, but client groups diverge
- European bonds react more to inflation risk

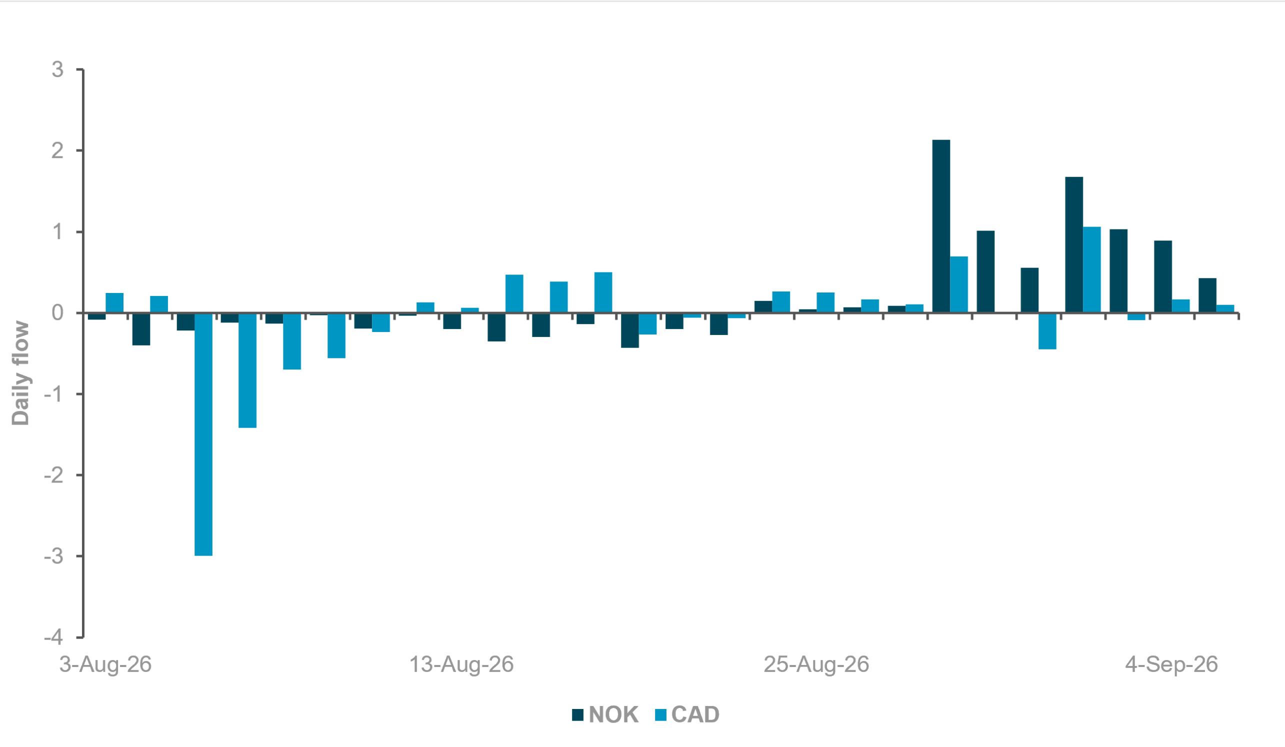
View chart pack

Bottom line

Higher energy prices are creating selective opportunities rather than a broad energy trade. NOK and CAD flows have improved, but gains look tactical; institutional demand still supports energy equities despite retail profit-taking, while European duration remains more exposed than U.S. Treasurys to higher inflation premia.

FX: Surge flow in most direct oil exposures

EXHIBIT #1: NOK AND CAD FLOW PICK UP STRONGLY AS BRENT APPROACHES $100/BBL



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Source: BNY

Our take

As Brent crude looks set to move decisively through $100/bbl, and natural gas prices are already hitting multi-year highs, energy names are starting to respond. Our data show that NOK and CAD flow interest have clearly shifted. Of the two, we are more cautious on NOK. The currency remains the most consistently held G10 currency, so the bar is always higher for additional purchases, especially if there is a lack of central bank support on the policy side. Furthermore, Norges Bank has shifted back toward FX purchases with the closing of the financing gap for the non-oil deficit, which represents an additional headwind for NOK performance.

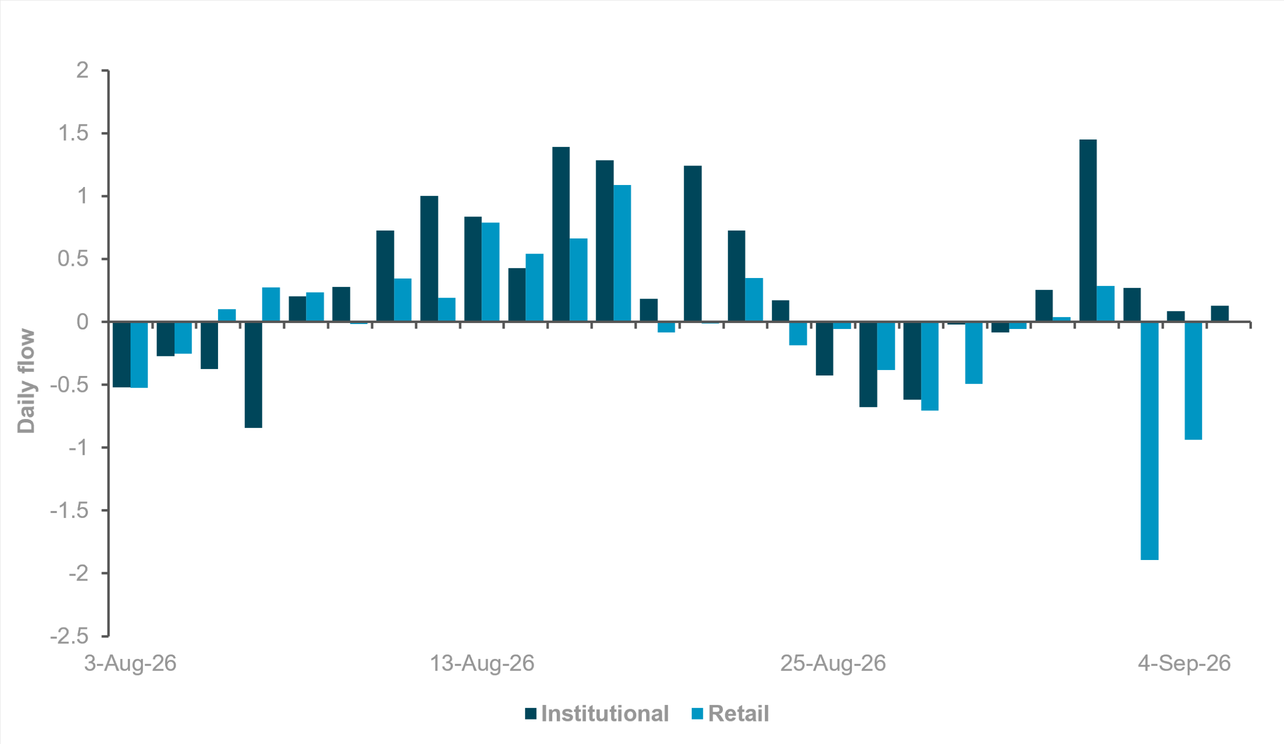
In contrast, CAD is more a matter of improvement and resilience. The current trade dispute with the U.S., by Prime Minister Mark Carney's own admission, "won't be easy." The current energy price environment is also so volatile that the business investment into the sector, which tends to drive CAD performance rather than oil receipts alone, may not be as forthcoming. However, the Bank of Canada has clearly shifted toward inflation vigilance amid associated supply pressures, providing an opportunity to close outstanding hedges against the currency. On rates and revenue, it is a "less bad" story rather than outright positive.

Forward look

Oil prices remain driven by external circumstances far beyond the control of Norway and Canada. Even if oil prices remain elevated, policy caution is needed. Revenues will rise, but the global supply crunch will weaken external demand, even before considering trade matters in Canada's case. Having a terms-of-trade boost in global stagflation, rather than inflation, is not optimal. Stronger receipts should be seen as a cushion for structural reform, though from experience, such opportunities are rarely seized. The flow is there for NOK and CAD, but we see tactical gains only unless there's a clear case for a more aggressive monetary policy approach.

Equities: August a boon for energy stocks, but divergence emerges between groups

EXHIBIT #2: RETAIL FLOWS PROFIT ON OIL EXPOSURES, INSTITUTIONAL NAMES STILL ADDING



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Source: BNY; flows into developed market energy stocks (GICS L2)

Our take

A renewed earnings lift in energy equities is no surprise. During the initial phase of the U.S.-Iran conflict in Q2, energy equities were among the strongest performers in both flow and holdings before the ceasefire took hold. Beyond the obvious earnings benefit, the sector was also used as a hedge against the Q1 "dollar debasement" trade, which increased demand for real-asset exposure globally. Similar concerns around U.S. real rates have resurfaced since the July FOMC meeting and clearly contributed to the surge in energy flows during the first half of August, before some profit-taking emerged.

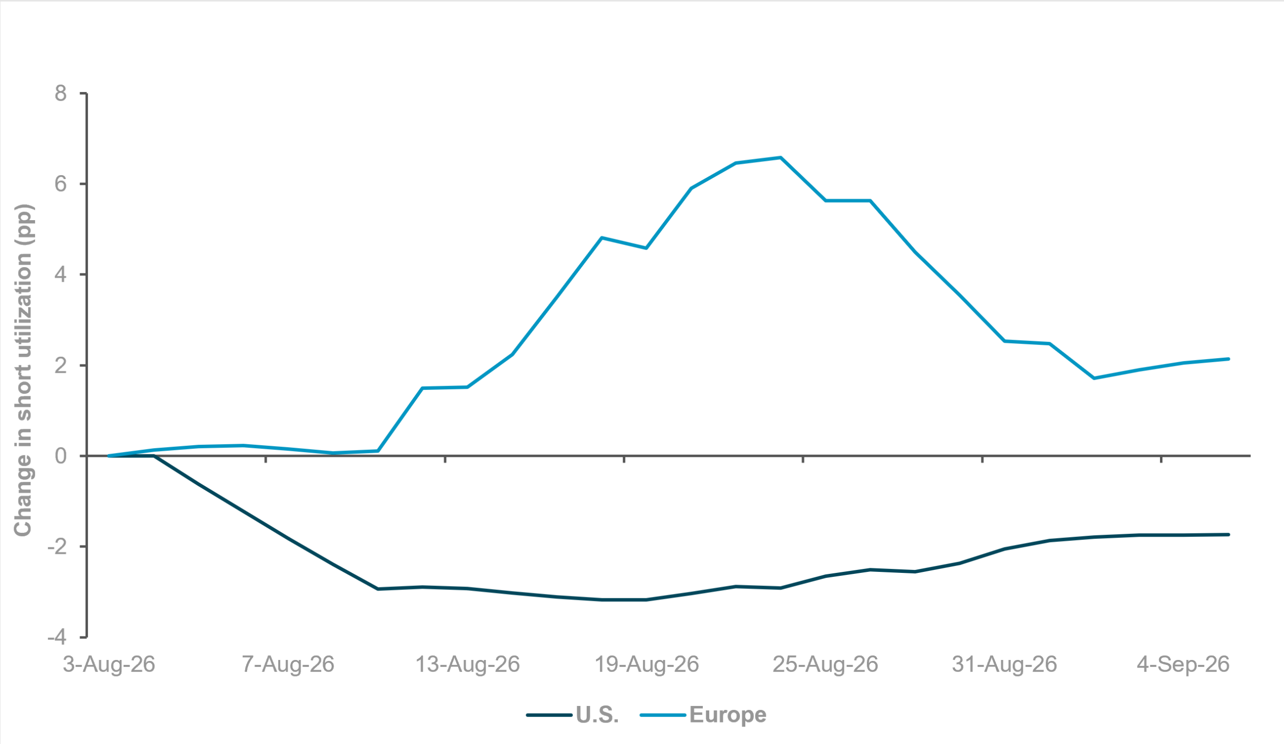
Retail is now diverging. The biggest surprise in recent flows is the split between retail and institutional demand. Over the past week, developed-market energy stocks have seen their strongest inflows, while retail investors have been selling aggressively. This contrasts with August, when the two groups were broadly aligned. The cleanest interpretation is that retail and institutional investors have different views on the durability of the current energy move and, by extension, on how quickly conflict-related supply disruptions will be resolved.

Forward look

We reserve judgment on retail for now, as the strong unwinding could also reverse very quickly if energy prices sustain their current trajectory. There are also key points of divergence in energy outlook between Europe and the U.S., especially for the former, where supply risks could prove far more damaging to the economy. In contrast, the U.S. does face price pressures from global circumstances, but the demand and growth narrative remains intact for now, pending calibration with the Fed's outlook. Overall holdings in energy are currently manageable (down from nearly 30% above the one-year average in March to around 17% today), so institutional interest looks set to prevail.

Fixed Income: Cross-border investors more hesitant on U.S. duration

EXHIBIT #3: EUROPEAN DURATION FACTORING HIGHER INFLATION PREMIA



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Source: BNY, 10y+ bonds only

Our take

The immediate impact from higher oil prices is reflected in inflation expectations and bond markets, which are already struggling with higher rates and fiscal dominance fears. The U.S. debt burdens and active intervention in the Treasury market are attracting attention, but our data suggest market's actionable hedges are still more prevalent in Europe. Since the July FOMC, short utilization rates, which measure the fraction of bonds in the BNY lending program that have been sold short, have moved lower. Outright purchases remain strong to take advantage of high real rates. In contrast, through the second half of August, short utilization rates in European duration (Eurozone, U.K. and others) have strongly increased and remain above end-July levels despite some recent relief. The ECB may view this as a risk that inflation expectations remain unanchored, but the status of the U.S. as an energy-products exporter does mean the marginal impact of energy-driven inflation risk is softer.

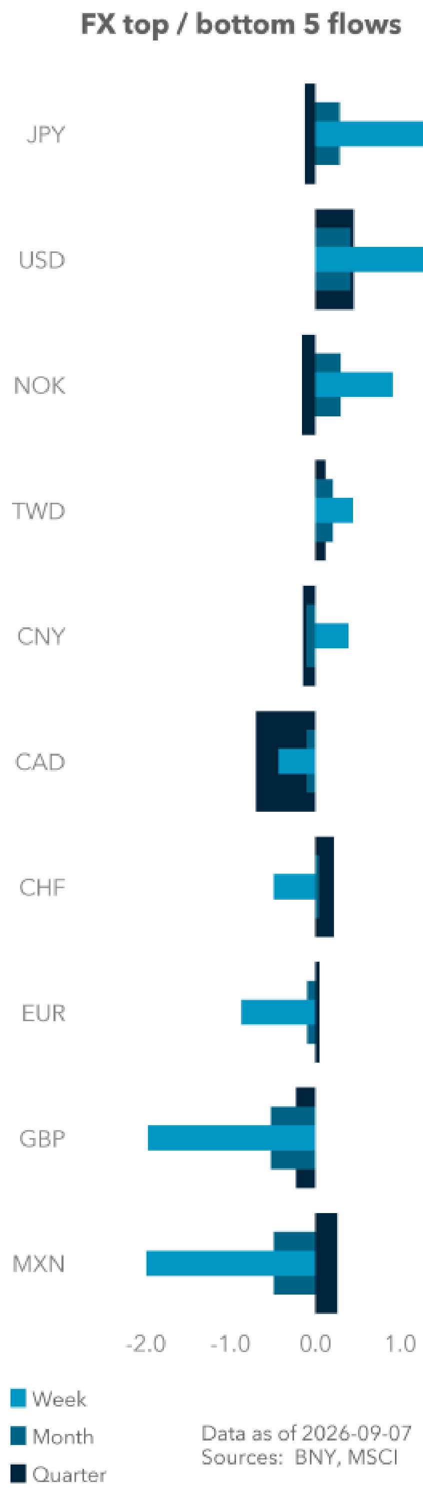
Forward look

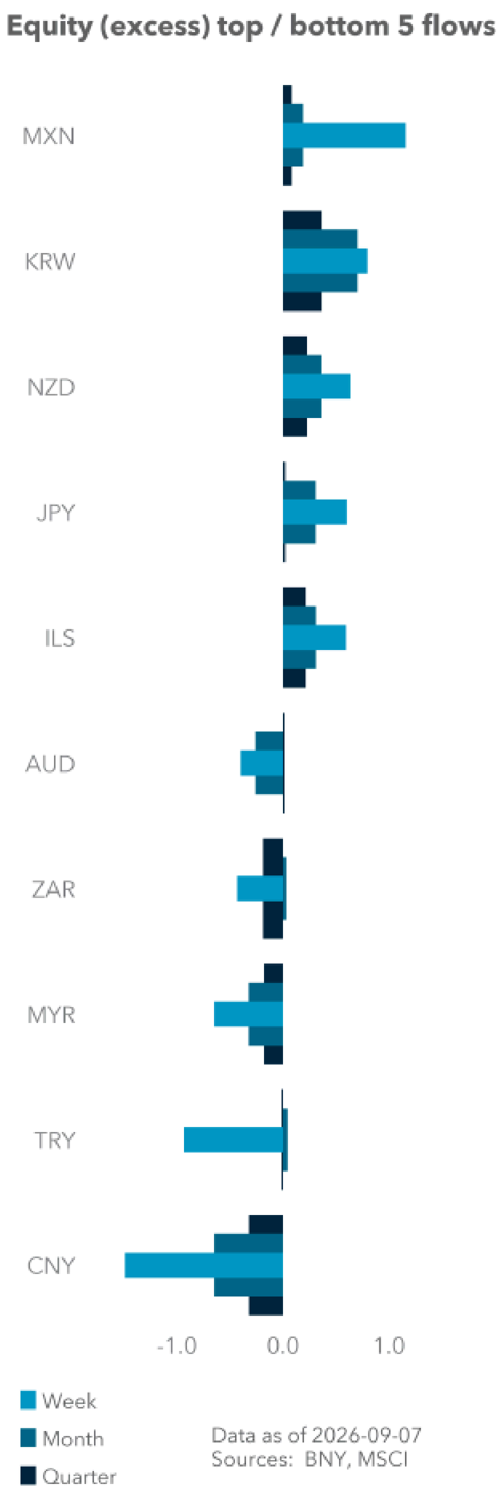
We now expect the Fed will raise rates two or three times over the next several months, but the ECB will likely execute “one more and done.” The Bank of England is unlikely to move at all. There are fundamental differences at present between how Europe and the U.S. view inflation risk in their respective economies, and this should also be reflected in bond market short utilization. The past few years have shown that Europe does face fundamental challenges with respect to energy resilience, which justifies higher sensitivity in bond premia. Barring a major de-anchoring of U.S. inflation expectations, we expect short utilization levels in the U.S. to remain low.

Call to action

Prefer CAD over NOK, stay constructive on energy equities, and keep the inflation hedge in European duration. Avoid chasing FX upside without stronger central-bank support and expect U.S. duration to remain relatively better supported unless inflation expectations become materially unanchored.

Chart pack


FX top / bottom 5 flows
JPY
USD
NOK
TWD
CNY
CAD
CHF
EUR
GBP
MXN
-2.0
-1.0
0.0
1.0
Week
Month
Quarter
Data as of 2026-09-07
Sources: BNY, MSCI


Equity (excess) top / bottom 5 flows
MXN
KRW
NZD
JPY
ILS
AUD
ZAR
MYR
TRY
CNY
-1.0
0.0
1.0
Week
Month
Quarter
Data as of 2026-09-07
Sources: BNY, MSCI

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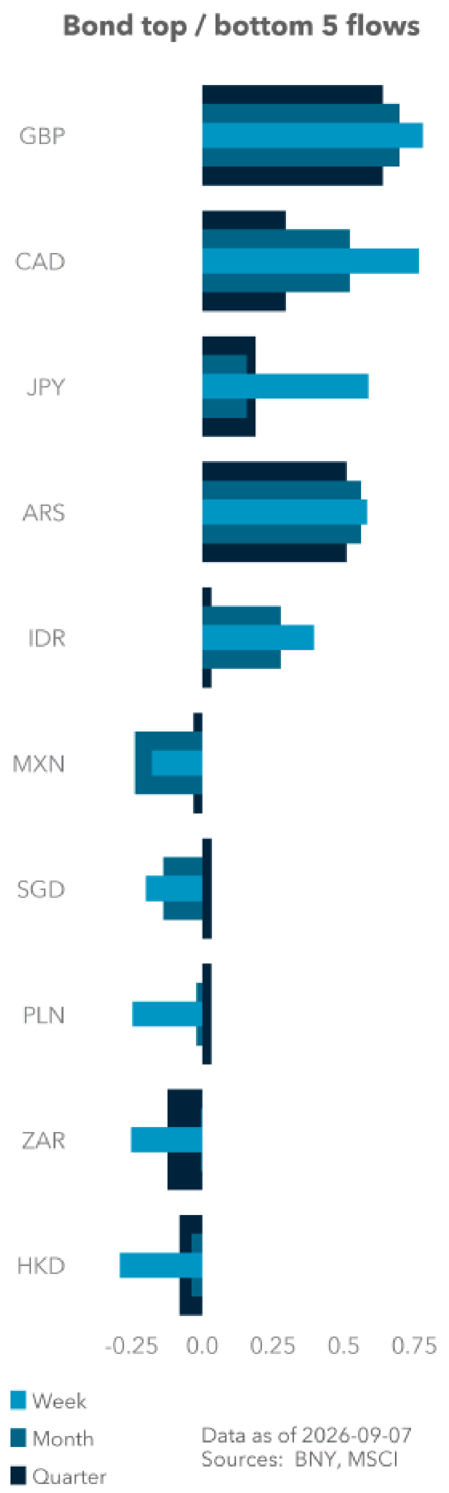

Bond top / bottom 5 flows
GBP
CAD
JPY
ARS
IDR
MXN
SGD
PLN
ZAR
HKD
-0.25
0.0
0.25
0.5
0.75
Week
Month
Quarter
Data as of 2026-09-07
Sources: BNY, MSCI

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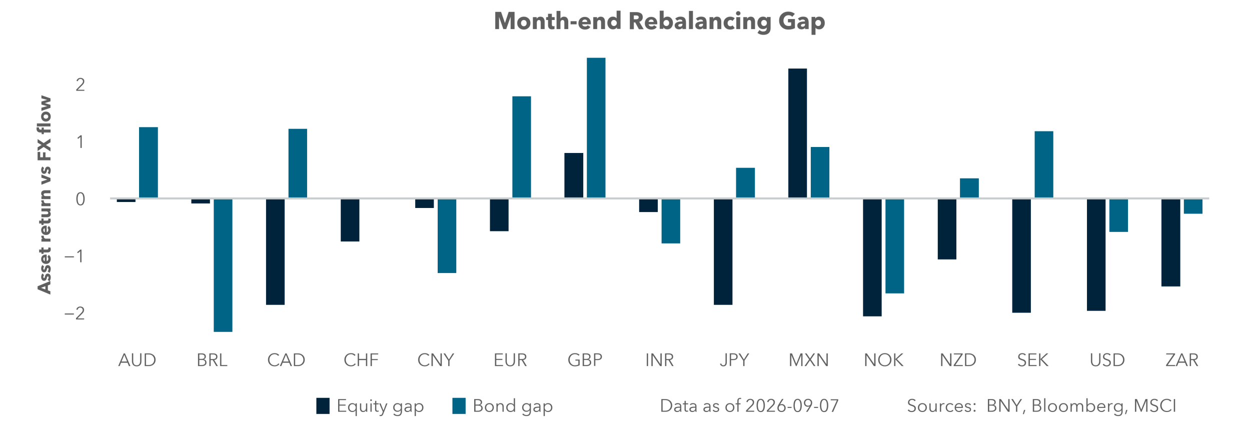

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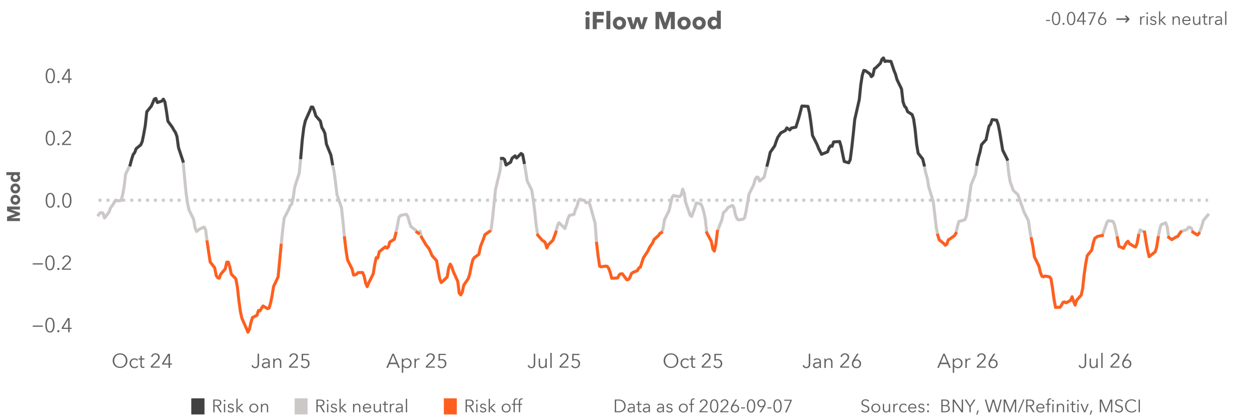

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EQ Flows (excess)
FI Flows
FX Flows
G10
AUS
CAN
CHE
DNK
EUR
GBR
JPN
NOR
NZL
SWE
USA
AUD
CAD
CHF
DKK
EUR
GBP
JPY
NOK
NZD
SEK
USD
LatAm
ARG
BRA
CHL
COL
MEX
PER
ARS
BRL
CLP
COP
MXN
PEN
EMEA
CZE
HUN
ISR
POL
RUS
TUR
ZAF
CZK
HUF
ILS
PLN
RUB
TRY
ZAR
APac
CHN
HKG
IDN
IND
KOR
MYS
PHL
SGP
THA
TWN
CNY
HKD
IDR
INR
KRW
MYR
PHP
SGD
THB
TWD
-1
0
1
0
0
Week
Month
Quarter
Data as of 2026-09-07
Sources: BNY, WM/Refinitiv, MSCI

Enlarge