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# Why Investors Need to Take Advantage of These 2 Oils and Energy Stocks Now

Zacks Equity Research | December 26, 2023

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VLO EC



Wall Street watches a company's quarterly report closely to understand as much as possible about its recent performance and what to expect going forward. Of course, one figure often stands out among the rest: earnings.

We know earnings results are vital, but how a company performs compared to bottom line expectations can be even more important when it comes to stock prices, especially in the near-term. This means that investors might want to take advantage of these earnings surprises.

Hunting for 'earnings whispers' or companies poised to beat their quarterly earnings estimates is a somewhat common practice. But that doesn't make it easy. One way that has been proven to work is by using the Zacks Earnings ESP tool.

### The Zacks Earnings ESP, Explained

The Zacks Earnings ESP is more formally known as the Expected Surprise Prediction, and it aims to grab the inside track on the latest analyst estimate revisions ahead of a company's report. The idea is relatively intuitive as a newer projection might be based on more complete information.

The core of the ESP model is comparing the Most Accurate Estimate to the Zacks Consensus Estimate, where the resulting percentage difference between the two equals the Expected Surprise Prediction. The Zacks Rank is also factored into the ESP metric to better help find companies that appear poised to top their next bottom-line consensus estimate, which will hopefully help lift the stock price.

When we join a positive earnings ESP with a Zacks Rank #3 (Hold) or stronger, stocks posted a positive bottom-line surprise 70% of the time. Plus, this system saw investors produce roughly 28% annual returns on average, according to our 10 year backtest.

Stocks with a #3 (Hold) ranking, which is most stocks covered at 60%, are expected to perform in-line with the broader market. But stocks that fall into the #2 (Buy) and #1

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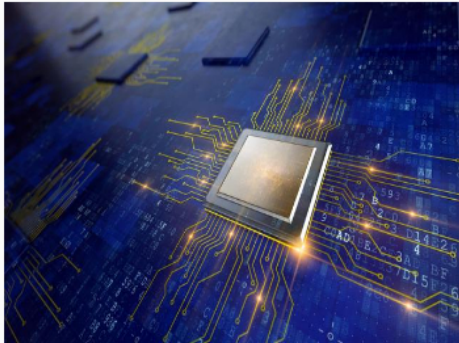
Our experts picked 7 Zacks Rank #1 Strong Buy stocks with the best chance to skyrocket within the next 30-90 days.

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(Strong Buy) ranking, or the top 15% and top 5% of stocks, respectively, should outperform the market. Strong Buy stocks should outperform more than any other rank.

### Should You Consider Valero Energy?

Now that we understand what the ESP is and how beneficial it can be, let's dive into a stock that currently fits the bill. **Valero Energy (VLO - Free Report)** earns a #3 (Hold) right now and its Most Accurate Estimate sits at \$3.31 a share, just 30 days from its upcoming earnings release on January 25, 2024.

By taking the percentage difference between the \$3.31 Most Accurate Estimate and the \$3.29 Zacks Consensus Estimate, Valero Energy has an Earnings ESP of +0.7%. Investors should also know that VLO is one of a large group of stocks with positive ESPs. Make sure to utilize our [Earnings ESP Filter](#) to uncover the best stocks to buy or sell before they've reported.

VLO is one of just a large database of Oils and Energy stocks with positive ESPs. Another solid-looking stock is **Ecopetrol (EC - Free Report)**.

**Ecopetrol**, which is readying to report earnings on April 3, 2024, sits at a Zacks Rank #3 (Hold) right now. Its Most Accurate Estimate is currently \$0.76 a share, and EC is 99 days out from its next earnings report.

The Zacks Consensus Estimate for **Ecopetrol** is \$0.75, and when you take the percentage difference between that number and its Most Accurate Estimate, you get the Earnings ESP figure of +2.01%.

VLO and EC's positive ESP figures tell us that both stocks have a good chance at beating analyst expectations in their next earnings report.

### Find Stocks to Buy or Sell Before They're Reported

Use the Zacks Earnings ESP Filter to turn up stocks with the highest probability of positively, or negatively, surprising to buy or sell before they're reported for profitable earnings season trading. [Check it out here >>](#)

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Want to be tipped off early to our 10 top picks for the entirety of 2024?

History suggests their performance could be sensational.

From 2012 (when our Director of Research, Sheraz Mian assumed responsibility for the portfolio) through November, 2023, the Zacks Top 10 Stocks gained **+974.1%**, nearly TRIPLING the S&P 500's +340.1%. Now Sheraz is combing through 4,400 companies to handpick the best 10 tickers to buy and hold in 2024. Don't miss your chance to get in on these stocks when they're released on January 2.

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