

Cetera® Investment Management LLC

Cetera Sector Insights

Gain clarity on what's driving equity performance with our new monthly Sector Insights report. We blend macro trends, fundamentals, valuations, and technicals to offer forward-looking views on each S&P 500 sector—delivered in a concise, client-friendly format.

S&P 500 Sector Update: April 2026

■ Underperform
 ■ Market Perform
 ■ Outperform

Outperform: ■ Technology
■ Industrials
Underperform: ■ Consumer Staples
■ Real Estate

Fundamentals
Cycle
Valuation
Technicals

	Sector / Rationale	S&P 500 Weight	Team View	Fundamentals	Cycle	Valuation	Technicals
Cyclical	Basic Materials	2.12%					
	Rating Maintained at Market Perform: Cyclical tailwinds, commodity prices, and strong expected earnings growth support our outlook. Headwinds: Global demand uncertainty cloud near-term visibility. Tailwinds: Structural support from EV and renewable energy demand, infrastructure investment, and reshoring efforts. Valuation & Technicals: Valuations contracted significantly yet the sector still trades above its long-term norms on several key metrics. Our technical outlook has weakened as the sector loses relative strength and momentum while the 50-day moving average has acted as a barrier to the upside.						
	Consumer Discretionary	9.87%					
	Rating Upgraded to Market Perform: The sector appears to be gaining relative strength and initial jobless claims data suggest a steady labor market. Headwinds: Economic uncertainty may impact lower-income consumer sentiment and fundamentals. Monitoring for near-term pressure. Tailwinds: Resiliency supported by high-income consumer demand. Tax cuts may offer incremental support to lower-income consumers. Valuation & Technicals: Multiple compression accelerated in March but now valuations are much closer to long-term norms. Our technical outlook has begun to stabilize, and the sector is now showing signs of increasing relative momentum versus the market.						
Sensitive	Financials	12.60%					
	Rating Maintained at Market Perform: Macro and industry-specific uncertainties along with inflation concerns and stable balance sheets. Headwinds: Continued pressure on core lending profits, lower growth environment. Tailwinds: Strong corporate balance sheets, solid capital positions among major banks, steepening yield curve. Valuation & Technicals: Valuations edged down only modestly and are close to long-term averages. Our technical outlook appears to be stabilizing as the sector begins to gain relative momentum versus the rest of the market. We will continue to monitor the sector for improving relative strength.						
	Real Estate	1.92%					
	Rating Maintained at Underperform: Reflecting a cautious stance as robust sub-sectors, like data centers continue to separate from soft office dynamics. Headwinds: Office demand remains challenged along with domestic real estate. Despite recent Fed cuts, caution remains due to mixed fundamentals. Tailwinds: Falling financing costs tied to rate cuts, e-commerce growth, cloud adoption and data center expansion. Valuation & Technicals: Valuations appear fair. Price has returned to its long-term sideways trading range and our technical outlook lacks conviction.						
Defensive	Communication Services	9.47%					
	Rating Maintained at Market Perform: Expected to remain resilient with strong structural support. Short-term technicals warrant caution. Headwinds: Regulatory scrutiny, industry concentration, and potential declines in ad and subscription spending amid economic uncertainty. Tailwinds: Broad market participation in the AI trend, Digital advertising, streaming monetization, 5G expansion. Valuation & Technicals: Valuations have retracted sharply, though the sector has shown some resilience with ratios staying elevated above historical norms. Our technical outlook has continued to weaken as price briefly dipped below the 200-day moving average, threatening the long-term up-trend.						
	Energy	4.01%					
	Rating Downgraded to Market Perform: Valuations have surged higher and we believe the market may already be pricing in peak oil disruption. Headwinds: Global growth concerns, energy supply constraints, elevated oil prices may weigh on demand and carry a near-term downside bias. Tailwinds: Power demand from AI data centers. Strong participation from sector constituents. Geopolitical uncertainty related to Strait of Hormuz. Valuation & Technicals: The sector is trading at a premium compared to historical norms. However, a decline in the PEG ratio suggests improving growth prospects. Our technical outlook has moderated as the sector has begun to lose momentum following strong price appreciation.						
Defensive	Industrials	9.02%					
	Rating Maintained at Outperform: Structural tailwinds remain supportive, and Industrials remain a higher conviction sector with resilient valuations. Headwinds: A slowing economy and geopolitical uncertainty. Economically sensitive transports, airlines and logistics can be pressured by fuel prices. Tailwinds: Long-term support from infrastructure investment, supply chain re-shoring, AI-driven demand, and defense spending. Valuation & Technicals: Valuations compressed slightly but remain above long-term averages, highlighting investor interest. Our technical outlook has weakened but price appears to have found support at its 200-day moving average, reinforcing the long-term uptrend despite near-term consolidation						
	Technology	32.91%					
	Rating Upgraded to Outperform: Valuations have moderated near historical averages, improving forward risk-reward for the sector. In a mixed macro environment, the opportunity set is increasingly driven by stock selection. Renewed confidence is likely to be concentrated in higher quality names. Headwinds: Valuation scrutiny and increased volatility if high growth expectations fail to materialize. Tailwinds: Secular drivers include AI infrastructure, cloud expansion, semiconductor demand, and global digital transformation. Valuation & Technicals: Valuation ratios corrected sharply in March, and the sector now sits much closer to its historical averages. Our technical outlook is stabilizing, and the sector is beginning to display bullish relative strength and momentum versus the market.						
Defensive	Consumer Staples	5.25%					
	Rating Downgraded to Underperform: The sector has been a defensive haven amid market volatility, but valuation concerns have become a risk. Headwinds: Relatively high valuations, shifting consumer behavior (including GLP-1 drug impact), and slower volume growth constrain upside potential. Tailwinds: Select leading brands maintain pricing power, operational efficiencies from automation, defensive sector resiliency. Valuation & Technicals: Valuations have moderated but remain above historical averages as market volatility remains elevated. Our technical outlook has turned bearish as breadth measurements have weakened substantially and the sector continues to lose relative strength and momentum.						
	Health Care	10.29%					
	Utilities	2.54%					
	Rating Maintained at Market Perform: Balanced risk-reward profile for the sector in a risk-off environment supported by technical price action. Headwinds: Regulatory pressures and cost inflation could limit upside. Tailwinds: Stable demand, grid modernization, AI-driven energy needs, and rate cuts. Valuation & Technicals: Valuations saw slight compression, but multiples remain above historical norms. Our technical outlook remains supportive. The long-term uptrend remains intact; however, the sector is beginning to lose relative strength and momentum, which may warrant caution.						

Economy & Cycle

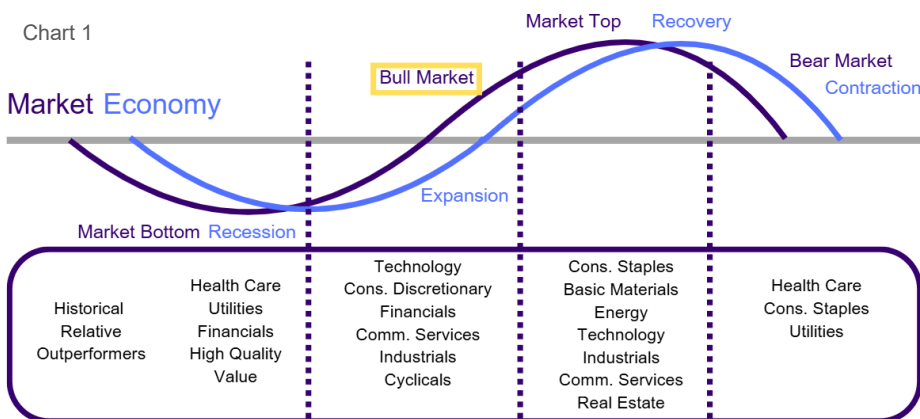
Economy

The U.S. economy enters the second quarter of 2026 with growth holding up better than anticipated, supported by deferred activity from last year's government shutdown, larger tax refunds, and resilient underlying demand. Inflation remains above target, partly due to higher energy prices tied to geopolitical tensions, which has tempered expectations for near-term Fed rate cuts and may keep policy on hold longer than markets anticipated. Consumer spending remains supportive for Consumer Discretionary, though labor market momentum is moderating, while continued investment in automation and AI supports longer-term opportunities in Technology, Industrials, and Communication Services. Lower rate expectations are constructive for Financials, Real Estate, and Utilities, and Health Care remains well positioned amid favorable demographic trends. Overall, the outlook remains constructive but increasingly nuanced, reinforcing the importance of diversification amid elevated valuations and geopolitical risks.

Cycle

Chart 1 illustrates the relationship between the market and economic cycles. The market cycle is a shift between bull and bear markets, driven by changes in broader market conditions and investor sentiment, while the economic cycle reflects periods of expansion, peak, recession, and recovery.

Currently, we appear to be in a nuanced mid-to-late-cycle phase with moderating growth. Volatility is expected to rise, and sectors with attractive relative valuations may benefit from a shift in leadership. We believe sector leadership in 2026 may rotate, reflecting valuation considerations and a broadening investment landscape.



Source: Cetera Investment Management

Chart 2		Valuation										
Month-End Mar. 2026		Forward P/E		Forward P/S		Forward P/B		Forward P/CF		Forward P/E/G		Div. Yield
Averages as of 1/1/2009		Current	Average	Current	Average	Current	Average	Current	Average	Current	Average	Current
S&P 500		19.86	16.96	2.97	1.97	4.38	3.05	15.24	12.20	1.48	1.43	1.17%
Cyclical	Basic Materials	18.92	16.27	2.25	1.55	2.98	2.49	12.09	9.98	1.73	1.58	1.71%
	Cons. Discretionary	26.76	23.98	2.59	1.75	6.59	6.33	16.09	14.44	2.48	1.42	0.62%
	Financials	14.18	13.72	3.06	2.39	2.01	1.48	N/A	N/A	1.17	1.23	1.61%
	Real Estate	17.37	18.64	5.85	6.11	3.07	3.03	16.91	17.46	2.56	2.33	3.37%
Sensitive	Comm. Services	19.99	17.94	3.96	2.57	4.22	3.08	11.70	9.70	2.16	1.31	0.65%
	Energy	19.69	13.58	1.81	1.09	2.47	1.83	9.37	7.24	1.56	1.01	2.47%
	Industrials	24.30	17.69	2.75	1.68	6.11	4.00	18.28	12.34	1.83	1.46	1.16%
Defensive	Technology	20.88	18.27	6.62	3.92	8.07	5.82	18.04	14.32	1.07	1.37	0.56%
	Cons. Staples	23.28	18.50	1.52	1.21	6.24	4.67	17.27	13.89	3.29	2.39	2.18%
	Health Care	17.34	15.19	1.42	1.48	4.27	3.49	15.18	12.75	2.01	1.52	1.71%
	Utilities	18.74	16.09	2.82	1.91	2.19	1.72	9.13	7.44	1.68	2.35	2.59%

Source: FactSet, Cetera Investment Management

Valuations

- **The S&P 500:** Valuations continue to moderate toward historical averages as investors assess heightened macro and geopolitical risks. Multiple compression without a clear earnings collapse suggests the adjustment reflects risk-premium normalization rather than fundamental deterioration.
- **Cyclical Sectors:** Valuation trends across cyclical sectors remain mixed. Basic Materials and Consumer Discretionary saw multiple compression but remain elevated versus history, while Financials are near long-term norms. Real Estate derated meaningfully, bringing valuations closer to average.
- **Sensitive Sectors:** Sensitive sector valuations broadly compressed, led by Technology and Communication Services as long-duration growth multiples retrenched. Energy diverged, with expansion in non-P/E multiples despite a modest decline in P/E.
- **Defensive Sectors:** Defensive sector valuations eased modestly following prior expansion. Consumer Staples, Health Care, and Utilities remain priced at premiums to historical averages, suggesting defensive positioning is being digested rather than meaningfully extended.

Valuation metrics are used to assess the relative value of a company's stock based on future expectations and compared against their historical averages. Forward P/E (Price-to-Earnings) looks at the expected earnings per share relative to the stock price, while Forward P/S (Price-to-Sales) compares the stock price to projected sales. Forward P/B (Price-to-Book) measures the stock price against its book value, Forward P/CF (Price-to-Cash Flow) relates price to expected cash flow, and Forward PEG adjusts the P/E ratio for growth, offering a more comprehensive view of valuation in the context of future performance.

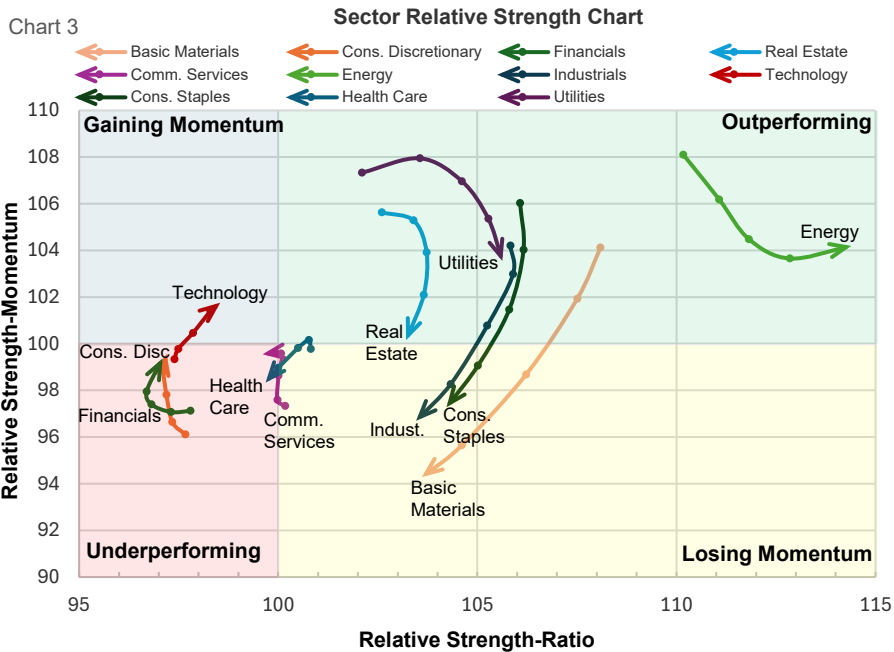
Technicals

Sector Relative Strength

- **Cyclical sectors** are mixed; Consumer Disc. and Financials are beginning to gain momentum while Basic Materials and Real Estate are losing relative strength and momentum.
- **Sensitive sectors** are mixed; Energy continues to outperform while Communication Services and Industrials are rotating back toward the underperforming quadrant. Technology is gaining both relative strength and momentum.
- **Defensive sectors** are losing relative strength and momentum with Health Care moving to underperforming.

The Relative Strength Chart shows how each sector performs versus the S&P 500. The horizontal axis measures relative strength, or performance versus the broader market. The vertical axis shows momentum, indicating whether relative performance is improving or weakening.

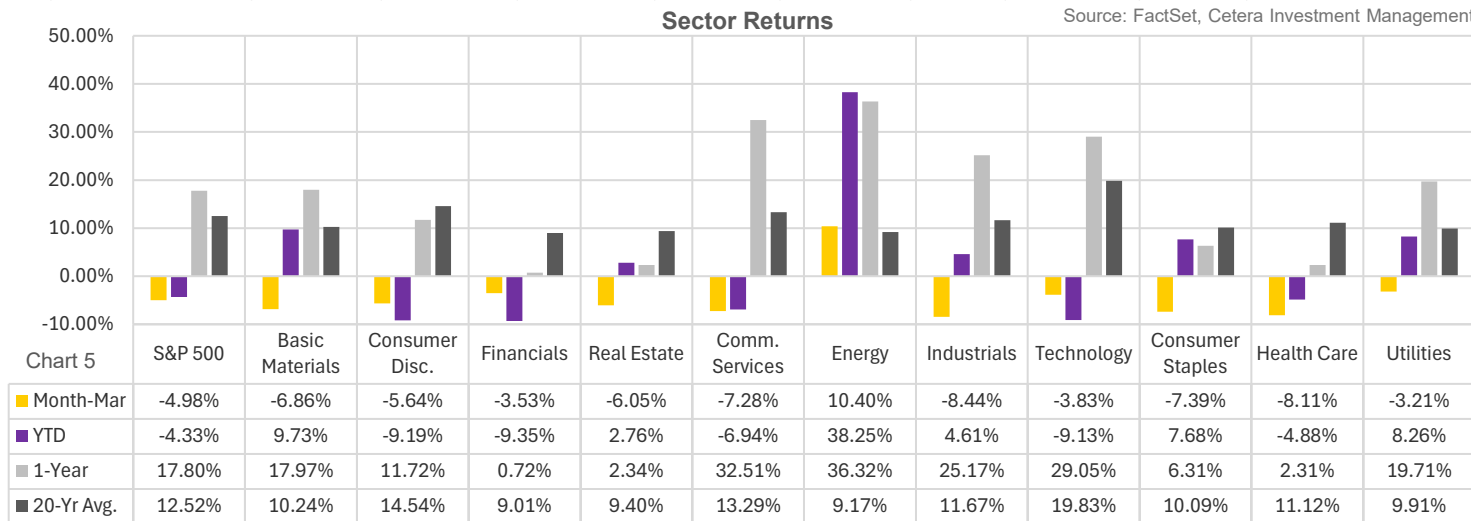
Sectors in the top-right quadrant are outperforming the market, while those in the bottom-left quadrant are underperforming. The tails show how each sector has moved over the last 20 days. Helping identify which sectors are gaining or losing strength and where we might see future opportunities.



Source: FactSet, Cetera Investment Management

Chart 4		Sector Trend Analysis								*MA = Moving Avg.
Month-End Mar. 2026	Price	50-Day MA	% from MA	20-Yr Avg.	Deviation	YTD	M/M MA Change	Trend	Overbought/Oversold	
S&P 500	6,528.52	6,793.92	-3.91%	0.85%	-0.97	-4.33%	-1.59%	Neutral	Neutral	
Cyclical	Basic Materials	627.82	638.33	-4.00%	0.64%	-0.76	9.73%	1.67%	Neutral	Neutral
	Cons. Discretionary	1,748.22	1,850.33	-5.52%	1.00%	-1.06	-9.19%	-3.87%	Down	Oversold
	Financials	822.22	853.88	-3.71%	0.41%	-0.60	-9.35%	-4.32%	Down	Neutral
	Real Estate	259.99	267.24	-2.71%	0.38%	-0.47	2.76%	1.24%	Neutral	Neutral
Sensitive	Comm. Services	420.28	447.40	-6.06%	0.64%	-1.34	-6.94%	-1.72%	Neutral	Oversold
	Energy	943.30	846.14	11.48%	0.49%	1.74	38.25%	10.36%	Up	Overbought
	Industrials	1,369.67	1,430.10	-4.23%	0.82%	-0.84	4.61%	1.40%	Neutral	Neutral
	Technology	5,158.06	5,427.38	-4.96%	1.41%	-0.97	-9.13%	-2.84%	Down	Neutral
Defensive	Cons. Staples	925.56	952.53	-2.83%	0.68%	-0.97	7.68%	2.49%	Neutral	Neutral
	Health Care	1,710.39	1,788.95	-4.39%	0.78%	-1.24	-4.88%	-1.93%	Neutral	Oversold
	Utilities	466.42	459.41	1.53%	0.55%	0.40	8.26%	2.99%	Up	Neutral

Source: FactSet, Cetera Investment Management



Note: All returns are total returns. The 20-year average return represents the mean calendar year total return over the last 20 years.

Source: FactSet, Cetera Investment Management

Disclosures

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Definitions

A Forward Price/Earnings (P/E) ratio is a measure for equity analysis. It is calculated by dividing the current market price of a stock by its estimated earnings per share for the next 12 months.

A Forward Price/Sales (P/S) ratio is a measure for equity analysis. It is calculated by dividing the current market price of a stock by its estimated sales per share for the next 12 months.

A Forward Price/Book (P/B) ratio is a measure for equity analysis. It is calculated by dividing the current market price of a stock by its estimated book value per share for the next 12 months.

A Forward Price/Cash Flow (P/CF) ratio is a measure for equity analysis. It is calculated by dividing the current market price of a stock by its estimated cash flow per share for the next 12 months.

A Forward Price/Earnings/Growth (P/E/G) ratio is a measure for equity analysis. It is calculated by dividing the Forward Price/Earnings ratio by the growth rate for the next 12 months.

Dividend Yield - The ratio expressing how much a company pays out in dividends each year relative to its current stock price.

The Global Industry Classification Standard (GICS) is a classification system for equities, it is used by various equity indexes to classify domestic and international stocks and breaks equities down to 11 sectors, which Morningstar breaks down into three groups as described below. Stocks in Energy, Industrials, Information Technology and Telecommunication Services are classified as Sensitive. Consumer Discretionary, Financials and Materials are defined as Cyclical, and Consumer Staples, Health Care and Utilities are classified as Defensive.

Sensitive - The sensitive super sector includes industries which ebb and flow with the overall economy, but not severely so. Sensitive industries fall between the defensive and cyclical industries as they are not immune to a poor economy but they also may not be as severely impacted by a poor economy as industries in the cyclical super sector. In general, the stocks in these industries move closely to the direction of the economy.

Cyclical - The cyclical super sector includes industries significantly impacted by economic shifts. When the economy is prosperous these industries tend to expand and when the economy is in a downturn these industries tend to shrink. In general, the stocks in these industries expand faster when the economy is growing and also contract faster in a recession.

Defensive - The defensive super sector includes industries that are relatively immune to economic cycles. These industries provide services that consumers require in both good and bad times, such as healthcare and utilities. In general, the stocks in these industries are not very sensitive to the direction of the economy.

A simple moving average of an investment or an index calculates its average price for a set period to the most recent price. The moving average is updated each successive period by deleting the price from the earliest date and adding the newly available most recent price. The result is a trend line for price movements, which may be an indicator of market sentiment. Generally, if the moving average is trending higher and the investment or index price rises above the moving average, sentiment is considered to be bullish, as prices are likely to continue higher, and it may be a good time to buy. If the moving average trend slopes downward, and the investment price is below the moving average, this may be a bearish, or sell signal, as prices may continue to move down.

Standard deviation is a statistical method used to gauge asset risk based on measuring the dispersion in returns relative to the average over a specified period of time.

Index Definitions

The S&P 500 is an index of 500 stocks chosen for market size, liquidity and industry grouping (among other factors) designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

The S&P 500[®] Consumer Discretionary Index comprises those companies included in the S&P 500 that are classified as members of the GICS[®] Consumer Discretionary sector.

The S&P 500[®] Consumer Staples Index comprises those companies included in the S&P 500 that are classified as members of the GICS[®] Consumer Staples sector.

The S&P 500[®] Energy Index comprises those companies included in the S&P 500 that are classified as members of the GICS[®] Energy sector.

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The S&P 500[®] Health Care Index comprises those companies included in the S&P 500 that are classified as members of the GICS[®] Health Care sector.

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