Cetera

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.

At-a-Glance

Technology

Rating: ▲ Outperform
S&P 500 Weight: 36.76%

- ▲ Fundamentals
- ▲ Cycle
- ▲ Valuation
- ▼ Technicals

Financials

Rating: ▲ Outperform
S&P 500 Weight: 12.48%

- ▶ Fundamentals
- ▲ Cycle
- ▶ Valuation
- ▲ Technicals

Industrials

Rating: ▲ Outperform
S&P 500 Weight: 8.67%

- ▲ Fundamentals
- ▲ Cycle
- ▶ Valuation
- ▶ Technicals

Real Estate

Rating: ▼ Underperform
S&P 500 Weight: 1.88%

- ▼ Fundamentals
- ▼ Cycle
- ▲ Valuation
- ▶ Technicals

Utilities

Rating: ▼ Underperform
S&P 500 Weight: 2.15%

- ▼ Fundamentals
- ▶ Cycle
- ▶ Valuation
- ▼ Technicals

Consumer Discretionary

Rating: ▼ Underperform
S&P 500 Weight: 9.40%

- ▶ Fundamentals
- ▶ Cycle
- ▶ Valuation
- ▼ Technicals

S&P 500 Sector Update: August 2026

Underperform | Market Perform | Outperform

Outperform:	Underperform:
Technology	Real Estate
Financials	Utilities
Industrials	Consumer Discretionary

Sector / Rationale | S&P 500 Weight | Team View | Fundamentals | Cycle | Valuations | Technicals

Cyclical

Basic Materials – Market Perform 1.80%

Outlook: Balanced near-term setup as earnings expectations are offset by weak technical trends and limited visibility, supporting a neutral stance.
Fundamentals: Global supply chain disruptions and limited near-term visibility remain key risks, though structural demand from EV and renewable energy, infrastructure investment, and reshoring trends continue to support longer-term growth which is also reflected in near-term earnings estimates.
Valuation & Technicals: Valuations eased modestly, though a rising PEG ratio suggests caution. Our technical outlook remains weak as sideways price consolidation continues. We are monitoring for signs of improving relative strength and price momentum.

Consumer Discretionary – Underperform 9.40%

Outlook: Weak relative strength and mounting pressure on the consumer keep risks skewed to the downside.
Fundamentals: Economic uncertainty, rising energy costs, slowing income and depleted savings are pressuring lower-income consumers and sentiment. Resilient higher-income spending and potential policy support may help sustain the sector, but we remain cautious on the consumer outlook.
Valuation & Technicals: Valuations pulled back further, though a sharply higher PEG ratio shows the sector remains expensive relative to growth. Our technical opinion remains weak. Relative momentum is improving but the sector lacks relative strength and broader participation.

Financials – Outperform 12.48%

Outlook: Strong balance sheets, healthy capital positions, higher-for-longer rates and improving technicals support our positive view.
Fundamentals: Duration and funding risks warrant monitoring if rates remain elevated for longer than expected, though strong corporate balance sheets, and solid capital positions provide fundamental support.
Valuation & Technicals: Valuations continued to advance modestly higher across most metrics but still looks attractive on a growth adjusted basis. Our technical outlook has improved further as the sector continues to gain relative strength, while price is achieving new highs in a fresh uptrend.

Real Estate – Underperform 1.88%

Outlook: Ongoing bifurcation across sub-sectors, higher financing costs and weak technical trends reinforce a cautious stance.
Fundamentals: Mixed fundamentals remain bifurcated. Ongoing pressure in sub-sectors, such as office and retail, create uncertainty, though structural tailwinds from e-commerce, cloud adoption, and data center expansion provide support.
Valuation & Technicals: Valuations appear fair. Technicals have moderated but momentum is diverging from price, a warning sign to exercise caution.

Sensitive

Communication Services – Market Perform 9.74%

Outlook: Solid structural growth supports the longer-term outlook, but weak relative strength suggests more balanced near-term risk-reward.
Fundamentals: Concentration risk and potential softness in ad and subscription spend mute the upside, though broad participation in AI, alongside growth in digital advertising, streaming monetization, and 5G expansion, supports the long-term outlook.
Valuation & Technicals: Valuations eased but the PEG ratio surged higher, indicating weaker growth expectations, tied to concentration risk. Our technical outlook remains weak as the sector lacks relative strength and the price trend has begun to put in a series of lower lows.

Energy – Market Perform 3.36%

Outlook: Headline risk, geopolitics, and oil-driven inflation risks may increase volatility in the near-term.
Fundamentals: Global growth concerns and elevated oil prices may weigh on demand and introduce near-term downside risk, though structural demand from AI-driven power needs provide underlying support amid ongoing geopolitical uncertainty.
Valuation & Technicals: Valuations reversed and moved higher across the board amid geopolitical tension and higher oil prices. Our technical outlook is mixed. Relative strength and momentum have supported price gains, but we do not think the advances are sustainable given ongoing peace talks.

Industrials – Outperform 8.67%

Outlook: Structural tailwinds remain supportive, and Industrials remain a higher conviction sector, though near term valuations have become rich.
Fundamentals: Geopolitical uncertainty may pressure economically sensitive areas such as transports and logistics, though infrastructure investment, supply chain reshoring, AI-driven demand, and higher defense spending provide durable long-term support in sub-sectors.
Valuation & Technicals: Valuations cooled from elevated levels but remain meaningfully above historical norms across every measure. Our technical outlook has moderated slightly after coming off an overbought reading. Price found support at the 50-day moving average and the uptrend remains intact.

Technology – Outperform 36.76%

Outlook: Structural growth drivers continue to support the sector, though high growth expectations increase reliance on sustained earnings delivery to justify further upside. Technicals remain challenged but may be showing early signs of improving momentum for the first time since June.
Fundamentals: Elevated growth expectations may leave valuations vulnerable, while higher bond yields add pressure, though powerful secular tailwinds including AI infrastructure, cloud expansion, semiconductor demand, and global digital transformation continue to support long-term fundamentals.
Valuation & Technicals: Valuations compressed further across every measure, though the PEG ratio remains well below its historical average despite still-elevated headline multiples. Our technical opinion remains weak in the short term but is showing signs of improvement as price breaks out higher.

Defensive

Consumer Staples – Market Perform 4.66%

Outlook: Defensive characteristics remain supportive in a volatile environment, but elevated valuations temper the sector's upside potential.
Fundamentals: Defensive characteristics and pricing power among leading brands continue to provide support. Shifting consumer behavior and slower volume growth may constrain upside.
Valuation & Technicals: Valuations were little changed month-over-month, holding well above historical averages across most measures. Our technical outlook has improved slightly but price continues to consolidate sideways. The sector is gaining relative strength but appears to lack follow through.

Health Care – Market Perform 9.10%

Outlook: Attractive long-term growth drivers and improving sentiment for out-of-favor names are offset by overbought technicals, warranting caution.
Fundamentals: Regulatory uncertainty and drug pricing reforms present near-term headwinds, though aging demographics, managed care expansion, biotech innovation, and productivity gains from AI and GLP-1 therapies offer sustained long-term support.
Valuation & Technicals: Valuations moved further above historical averages and growth expectations softened slightly. Our technical outlook remains supportive, but we believe caution is warranted as we have observed a bearish momentum divergence that may warn of potential downside to come.

Utilities – Underperform 2.15%

Outlook: A weaker technical backdrop and limited valuation support outweigh defensive characteristics, despite longer-term structural demand.
Fundamentals: Higher-for-longer rate expectations and higher costs limit near-term upside. Grid modernization, AI power demand, and electrification provide structural support. A prolonged decline in yields could position Utilities to outperform.
Valuation & Technicals: Valuations eased across the board as the sector is being pressured by higher interest rates. Our technical opinion weakened substantially as price has broken back below both the 50- and 200-day moving averages, preceded by a bearish momentum divergence.

Economy & Cycle

Economy

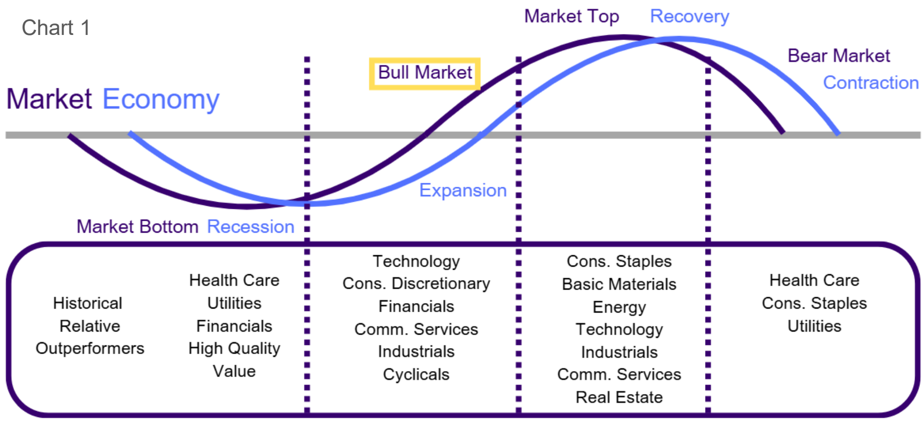
The U.S. economy has proven resilient through the first half of 2026, with first-quarter growth of 2.1% and consensus expecting further improvement in the second quarter, despite disruption from the Iran war and elevated energy prices. As of May, inflation has risen to 4.2% year-over-year, driven largely by energy costs tied to the conflict, shifting Fed expectations away from cuts and toward a possible rate hike, with nine of eighteen officials projecting one before year-end. Consumer spending remains supportive for Consumer Discretionary, while a stabilizing labor market and surging AI capital spending support opportunities in Technology, Industrials, and Communication Services, though earnings estimates have moved well ahead of the economy and AI-beneficiary concentration remains a risk. Higher rate expectations may be a headwind for Financials, Real Estate, and Utilities. Overall, the outlook remains constructive but increasingly nuanced, as rising expectations and geopolitical risk reinforce the importance of diversification.

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.

Chart 1



Source: Cetera Investment Management

Chart 2 — Valuation

	Month-End July 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	19.72	17.08	3.23	2.01	4.68	3.10	15.60	12.37	1.20	1.42	1.03%
Cyclical	Basic Materials	17.20	16.42	2.16	1.60	2.88	2.61	11.55	10.10	1.34	1.55	1.66%
Cyclical	Cons. Discretionary	25.09	24.40	2.76	1.76	6.30	6.67	16.12	14.72	3.65	1.47	0.57%
Cyclical	Financials	15.18	13.74	3.39	2.40	2.27	1.50	N/A	N/A	1.18	1.23	1.47%
Cyclical	Real Estate	18.60	18.63	6.30	6.12	3.46	3.04	18.02	17.48	2.68	2.34	3.03%
Sensitive	Comm. Services	17.80	17.99	4.10	2.60	3.84	3.10	12.00	9.76	3.57	1.34	0.60%
Sensitive	Energy	13.71	15.60	1.60	1.10	2.25	1.77	7.58	6.99	1.41	2.22	2.58%
Sensitive	Industrials	24.79	17.87	2.87	1.68	6.59	4.04	18.79	12.42	1.52	1.47	1.02%
Sensitive	Technology	21.64	18.38	7.27	3.92	8.91	5.85	18.64	14.43	0.76	1.36	0.45%
Defensive	Cons. Staples	22.95	18.69	1.51	1.21	6.22	4.74	17.19	14.03	3.42	2.41	2.16%
Defensive	Health Care	18.62	15.27	1.55	1.48	4.67	3.52	16.41	12.84	2.27	1.53	1.57%
Defensive	Utilities	17.48	16.13	2.68	1.93	2.06	1.73	8.64	7.47	1.82	2.34	2.72%

Source: FactSet, Cetera Investment Management

Valuations

- **The S&P 500:** Valuations compressed across the board in July. However, the move masks an interesting cross-current: the PEG ratio actually rose even as price multiples fell, meaning growth expectations softened faster than valuations cooled. The index-level PEG remains below its historical average, keeping the market's growth-adjusted valuation reasonable, but the gap has narrowed noticeably from June.
- **Cyclical Sectors: Basic Materials** eased modestly but remains above its historical norms. **Real Estate** multiples rose modestly but remain largely in line with historical averages. **Consumer Discretionary** cooled further, yet its PEG jumped to the priciest in the index. **Financials** continued grinding higher and is still the most reasonably valued of the group on a growth-adjusted basis.
- **Sensitive Sectors: Industrials** and **Technology** both cooled meaningfully after their recent run higher, though both remain well above their historical norms on an absolute basis. **Energy** reversed course, with multiples expanding as oil prices surged intra-month. **Communication Services'** P/E settled back in line with history, but a sharp PEG increase points to a more costly growth-adjusted picture.
- **Defensive Sectors: Consumer Staples** held largely steady, still trading well above its long-run average across most measures. **Health Care** edged higher again, with a faster rising PEG signaling softer growth expectations. **Utilities** eased across the board, and valuations now sit closer to their historical norms.

Technicals

Sector Relative Strength

Cyclical Sectors *mixed*

- Financials and Real Estate have gained relative strength, rotating into the outperforming quadrant.
- Consumer Discretionary has slowly gained relative momentum while Basic Materials is beginning to gain relative strength.

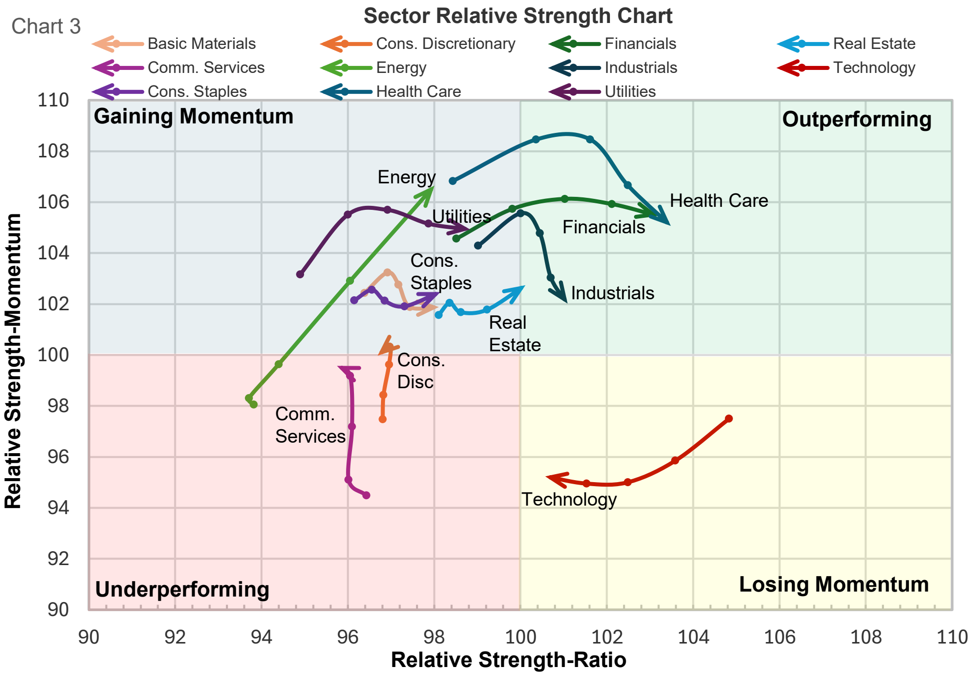
Sensitive Sectors *mixed*

- Technology continues to lose relative strength.
- Communication Services is gaining relative momentum.
- Energy is gaining both relative strength and momentum.
- Industrials has moved into the outperforming quadrant but has started to lose relative momentum.

Defensive Sectors *gaining relative strength*

- Defensive sectors are all gaining relative strength with Health Care leading the group.

Chart 3



Source: FactSet, Cetera Investment Management

Chart 4			Sector Trend Analysis						*MA = Moving Avg.
Month-End July 2026	Price	50-Day MA	% from MA	20-Yr Avg.	Deviation	YTD	M/M MA Change	Trend	Overbought/Oversold
S&P 500	7,489.72	7,471.51	0.24%	0.91%	0.06	10.14%	1.15%	Neutral	Neutral
Cyclical: Basic Materials	627.22	638.59	-4.00%	0.65%	-0.77	10.12%	-0.50%	Neutral	Neutral
Cyclical: Cons. Discretionary	1,922.36	1,897.13	1.33%	1.04%	0.25	0.04%	-1.82%	Neutral	Neutral
Cyclical: Financials	946.79	900.90	5.09%	0.46%	0.83	4.91%	3.75%	Up	Neutral
Cyclical: Real Estate	286.59	283.90	0.95%	0.41%	0.16	14.33%	1.02%	Neutral	Neutral
Sensitive: Comm. Services	456.61	466.86	-2.20%	0.67%	-0.48	1.39%	-2.88%	Down	Neutral
Sensitive: Energy	912.61	863.83	5.65%	0.46%	0.86	34.74%	-0.57%	Neutral	Neutral
Sensitive: Industrials	1,520.75	1,509.33	0.76%	0.86%	0.15	16.54%	1.95%	Neutral	Neutral
Sensitive: Technology	6,553.95	6,703.28	-2.23%	1.58%	-0.43	15.65%	1.77%	Neutral	Neutral
Defensive: Cons. Staples	940.96	936.49	0.48%	0.67%	0.16	10.31%	-0.51%	Neutral	Neutral
Defensive: Health Care	1,893.67	1,821.07	3.99%	0.84%	1.12	5.96%	4.79%	Up	Overbought
Defensive: Utilities	450.17	456.17	-1.32%	0.53%	-0.34	5.29%	-0.01%	Neutral	Neutral

Sector Returns

Source: FactSet, Cetera Investment Management

Chart 5	S&P 500	Basic Materials	Consumer Disc.	Financials	Real Estate	Comm. Services	Energy	Industrials	Technology	Consumer Staples	Health Care	Utilities
Month-July	-0.06%	-1.65%	0.82%	6.16%	2.52%	0.58%	12.60%	-3.01%	-3.43%	2.11%	2.40%	-2.23%
YTD	10.14%	10.12%	0.04%	4.91%	14.33%	1.39%	34.74%	16.54%	15.65%	10.31%	5.96%	5.29%
1-Year	19.56%	15.32%	7.52%	10.52%	14.04%	18.95%	41.17%	19.86%	26.22%	10.32%	26.92%	6.41%
20-Yr Avg.	12.52%	10.24%	14.54%	9.01%	9.40%	13.29%	9.17%	11.67%	19.83%	10.09%	11.12%	9.91%

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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Cetera Investment Management LLC (CI) provides market perspectives, portfolio guidance, model management, and other investment advice to its affiliated broker-dealers and registered investment advisers.

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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.

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.

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.

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.

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

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.

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

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

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

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