



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



Industrials

Rating: ▲ Outperform
S&P 500 Weight: 8.93%

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



Health Care

Rating: ▲ Outperform
S&P 500 Weight: 8.89%

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



Financials

Rating: ▲ Outperform
S&P 500 Weight: 11.76%

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



Utilities

Rating: ▼ Underperform
S&P 500 Weight: 2.20%

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



Consumer Discretionary

Rating: ▼ Underperform
S&P 500 Weight: 9.31%

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



Real Estate

Rating: ▼ Underperform
S&P 500 Weight: 1.83%

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

S&P 500 Sector Update: July 2026



Cyclical

Sensitive

Defensive

Economy & Cycle

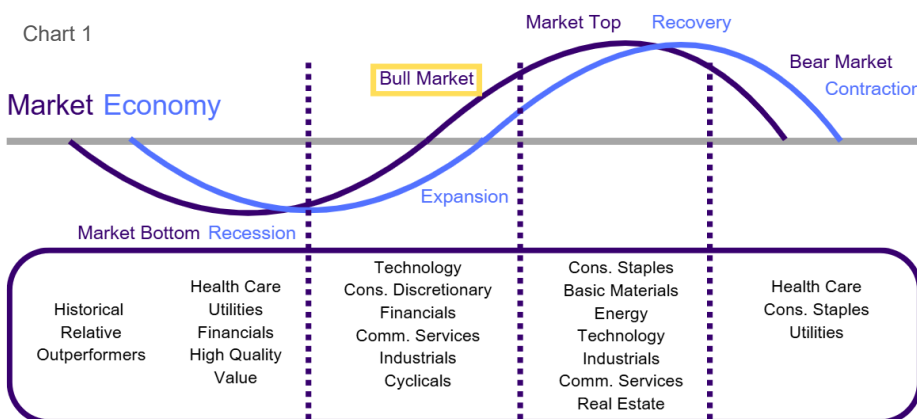
Economy

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.



Source: Cetera Investment Management

Chart 2 Valuation												
Month-End June 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		20.59	17.05	3.27	1.98	4.82	3.08	16.05	12.29	1.12	1.43	1.03%
Cyclical	Basic Materials	17.41	16.40	2.19	1.59	2.94	2.61	11.80	10.08	1.21	1.55	1.65%
	Cons. Discretionary	27.23	24.38	2.78	1.76	6.83	6.67	16.53	14.71	3.03	1.46	0.57%
	Financials	14.84	13.73	3.25	2.40	2.16	1.49	N/A	N/A	1.17	1.23	1.55%
	Real Estate	18.09	18.63	6.12	6.12	3.39	3.03	16.70	17.47	2.49	2.34	3.13%
Sensitive	Comm. Services	19.25	17.99	4.13	2.60	4.23	3.10	12.08	9.75	2.62	1.33	0.61%
	Energy	12.46	13.97	1.40	1.09	2.00	1.84	6.70	7.25	1.36	-1.49	2.88%
	Industrials	26.24	17.83	3.00	1.68	6.91	4.02	19.98	12.39	1.59	1.47	1.04%
	Technology	23.32	18.36	7.77	3.90	9.47	5.83	20.09	14.41	0.73	1.37	0.43%
Defensive	Cons. Staples	22.73	18.66	1.49	1.21	6.17	4.73	16.94	14.01	3.39	2.41	2.19%
	Health Care	18.50	15.25	1.53	1.48	4.55	3.51	16.51	12.82	2.17	1.52	1.59%
	Utilities	18.05	16.12	2.73	1.93	2.13	1.72	8.97	7.46	1.87	2.34	2.67%

Source: FactSet, Cetera Investment Management

Valuations

- **The S&P 500:** Valuations pulled back broadly in June, with forward multiples all declining after an extended run of multiple expansion. The PEG ratio fell sharply, pointing to improving growth expectations even as price multiples cooled. Still, index-level multiples remain meaningfully above their historical averages across nearly every measure, keeping the market reliant on continued earnings delivery to justify current pricing.
- **Cyclical Sectors:** **Basic Materials** and **Real Estate** held largely steady, with **Real Estate** now trading roughly in line with its historical norms. **Consumer Discretionary** valuations pulled back, and while growth expectations improved somewhat, the sector still looks rich relative to its own growth outlook. **Financials** stood out as the exception, grinding modestly higher even as the rest of the group cooled.
- **Sensitive Sectors:** **Industrials** was the clear standout, with valuations pushing further above historical norms across the board even as the rest of the group cooled. **Technology** and **Communication Services** both pulled back from recent strength; notably, **Technology's** pullback came alongside meaningfully improving growth expectations. **Energy's** reset continued, with valuations moving further below historical norms.
- **Defensive Sectors:** **Consumer Staples** valuations were little changed. **Health Care** and **Utilities** both moved modestly higher, but the sectors diverged beneath the surface. **Health Care's** advance came alongside softening growth expectations, while **Utilities** remains more attractively priced relative to its own growth outlook despite the move higher.

Technicals

Sector Relative Strength

Cyclical Sectors *gaining relative momentum*

- Financials, Basic Materials, and Real Estate have all begun to gain relative momentum versus the market and appear to be moving toward the outperforming quadrant.
- Consumer Discretionary remains in the underperforming quadrant while losing relative strength and momentum.

Sensitive Sectors *mixed*

- Technology is now losing relative strength and momentum versus the market.
- Communication Services has moved into the underperforming quadrant.
- Energy and Industrials are gaining relative momentum, and Industrials may move toward the outperforming quadrant.

Defensive Sectors *gaining relative momentum*

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

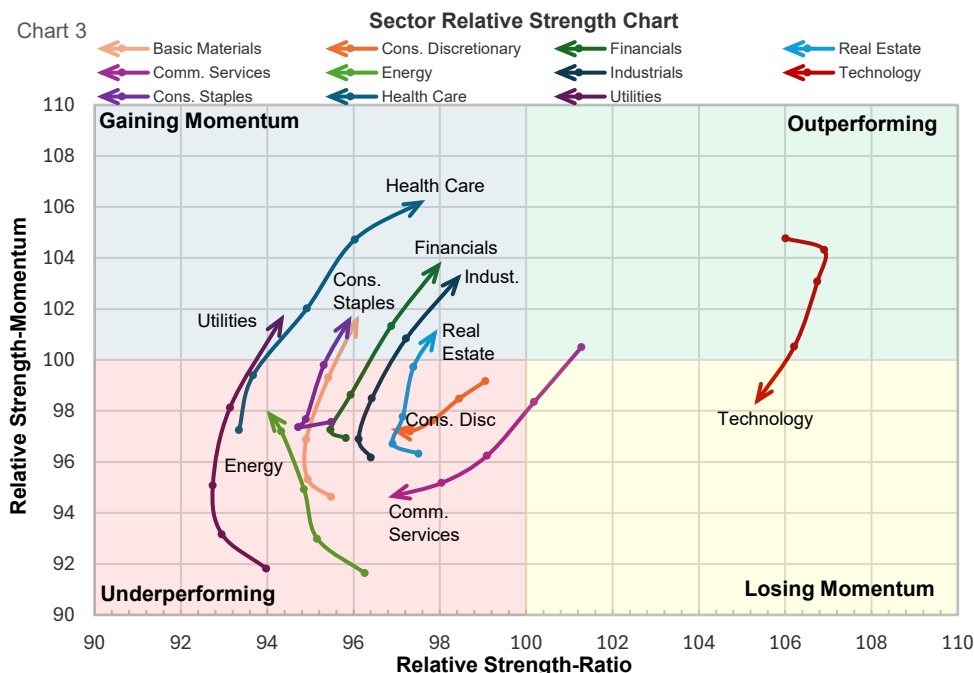
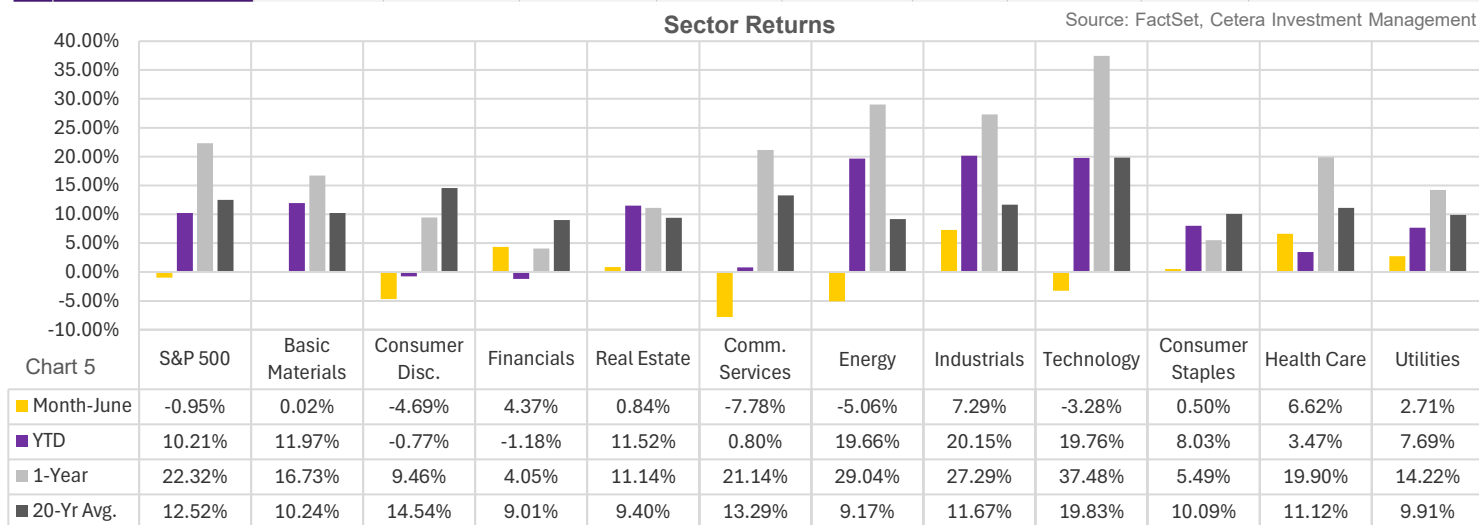


Chart 4		Sector Trend Analysis							*MA = Moving Avg.	
Month-End June 2026		Price	50-Day MA	% from MA	20-Yr Avg.	Deviation	YTD	M/M MA Change	Trend	Overbought/Oversold
S&P 500		7,499.36	7,378.88	1.63%	0.91%	0.40	10.21%	4.54%	Up	Neutral
Cyclical	Basic Materials	638.08	642.14	-4.00%	0.65%	-0.77	11.97%	0.65%	Neutral	Neutral
	Cons. Discretionary	1,907.11	1,932.82	-1.33%	1.04%	-0.25	-0.77%	2.17%	Neutral	Neutral
	Financials	892.84	867.63	2.91%	0.44%	0.47	-1.18%	2.28%	Neutral	Neutral
	Real Estate	279.70	281.11	-0.50%	0.42%	-0.09	11.52%	2.47%	Neutral	Neutral
Sensitive	Comm. Services	454.40	480.84	-5.50%	0.69%	-1.20	0.80%	2.27%	Neutral	Oversold
	Energy	810.95	869.58	-6.74%	0.48%	-1.03	19.66%	-2.56%	Down	Oversold
	Industrials	1,568.73	1,478.91	6.07%	0.83%	1.22	20.15%	2.82%	Up	Overbought
	Technology	6,788.21	6,572.56	3.28%	1.56%	0.63	19.76%	9.79%	Up	Neutral
Defensive	Cons. Staples	923.02	941.41	-1.95%	0.68%	-0.66	8.03%	0.49%	Neutral	Neutral
	Health Care	1,852.15	1,735.02	6.75%	0.82%	1.90	3.47%	1.72%	Neutral	Overbought
	Utilities	460.68	456.44	0.93%	0.54%	0.24	7.69%	-1.41%	Neutral	Neutral



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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Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards. A diversified portfolio does not assure a profit or protect against loss.



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.

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

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.

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

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

