

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: 8.29%

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

Health Care
Rating: ▲ Outperform
S&P 500 Weight: 8.30%

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

Real Estate
Rating: ▼ Underperform
S&P 500 Weight: 1.80%

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

Utilities
Rating: ▼ Underperform
S&P 500 Weight: 2.11%

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

Consumer Discretionary
Rating: ▼ Underperform
S&P 500 Weight: 9.73%

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

S&P 500 Sector Update: June 2026

Sector / Rationale	S&P 500 Weight	Team View	Performance		Fundamentals	Cycle	Valuations	Technicals
			Outperform	Underperform				
Basic Materials – Market Perform	1.84%		Outperform	Underperform	●	●	●	●
<p>Outlook: Balanced near-term setup as earnings expectations are offset by weak technical trends and limited visibility, supporting a neutral stance.</p> <p>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.</p> <p>Valuation & Technicals: Valuations have moderated closer to historical norms. Our technical outlook remains weak as price appears to be consolidating and the sector is losing relative strength versus the market.</p>								
Consumer Discretionary – Underperform	9.73%		Outperform	Underperform	●	●	●	●
<p>Outlook: Deteriorating momentum and mounting pressure on the consumer keep risks skewed to the downside.</p> <p>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.</p> <p>Valuation & Technicals: Valuations were relatively stable. However, a higher PEG ratio suggests weaker growth expectations. Our technical outlook has weakened, and the sector is losing relative momentum. Momentum has failed to confirm recent price highs and may warn of potential downside.</p>								
Financials – Market Perform	11.30%		Outperform	Underperform	●	●	●	●
<p>Outlook: Interest rate and industry-specific uncertainties along with inflation concerns and stable balance sheets support our neutral view.</p> <p>Fundamentals: Pressure on core lending profitability in a slower growth environment remains a key headwind, though strong corporate balance sheets, and solid capital positions provide fundamental support.</p> <p>Valuation & Technicals: Valuations edged lower and now sit modestly above long-term averages. Our technical outlook has deteriorated as the sector is losing relative strength and momentum. Price is trading below the long-term 200-day moving average which has acted as a barrier to the upside.</p>								
Real Estate – Underperform	1.80%		Outperform	Underperform	●	●	●	●
<p>Outlook: Ongoing bifurcation across sub-sectors and weak technical trends reinforce a cautious stance despite pockets of structural demand.</p> <p>Fundamentals: Mixed fundamentals and ongoing pressure in sub-sectors create uncertainty, though structural tailwinds from e-commerce, cloud adoption, and data center expansion provide support.</p> <p>Valuation & Technicals: Valuations appear fair. Technicals are weak and momentum has diverged from price, a warning sign of potential downside.</p>								
Communication Services – Market Perform	10.39%		Outperform	Underperform	●	●	●	●
<p>Outlook: Solid structural growth supports the longer-term outlook, but weakening relative momentum suggest more balanced near-term risk-reward.</p> <p>Fundamentals: Regulatory scrutiny, 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.</p> <p>Valuation & Technicals: Valuations have softened but remain above historical averages. The PEG ratio surged higher, reflecting weaker growth expectations. Our technical opinion has moderated as the sector is beginning to lose relative momentum, but the long-term price uptrend remains intact.</p>								
Energy – Market Perform	3.13%		Outperform	Underperform	●	●	●	●
<p>Outlook: Valuation reset has reduced froth, but geopolitics and oil-driven inflation risks may increase volatility in the near-term.</p> <p>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.</p> <p>Valuation & Technicals: Valuations reset meaningfully lower, with sharp compression across P/E and cash flow metrics. Our technical outlook has deteriorated, and the sector has lost momentum as price consolidation continues. Short-term breadth measures have also weakened substantially.</p>								
Industrials – Outperform	8.29%		Outperform	Underperform	●	●	●	●
<p>Outlook: Structural tailwinds remain supportive, and Industrials remain a higher conviction sector with resilient valuations.</p> <p>Fundamentals: A slowing economy and geopolitical uncertainty may pressure economically sensitive areas such as transports and logistics, though infrastructure investment, supply chain reshoring, AI-driven demand, and defense spending provide durable long-term support.</p> <p>Valuation & Technicals: Valuations moved lower across metrics but remain above historical norms as expectations for steady economic activity persist. Our technical outlook is stabilizing. The long-term price uptrend remains intact and the 50-day moving average has acted as support.</p>								
Technology – Market Perform	38.56%		Outperform	Underperform	●	●	●	●
<p>Outlook: Structural growth drivers and relative strength support continued leadership, though elevated valuations and overbought conditions increase reliance on sustained earnings delivery to justify further upside. We believe risks are skewed to the downside in the near term given elevated volatility.</p> <p>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.</p> <p>Valuation & Technicals: Valuations expanded meaningfully, moving further above historical averages and continuing to lead the market higher. Our technical opinion remains positive; however, price has advanced over 40% since the March low and is now extremely overbought in the short term.</p>								
Consumer Staples – Market Perform	4.55%		Outperform	Underperform	●	●	●	●
<p>Outlook: Defensive characteristics remain supportive in a volatile environment, but elevated valuations temper the sector's upside potential.</p> <p>Fundamentals: Reasonable valuations, defensive characteristics, pricing power among leading brands continue to provide support. Shifting consumer behavior (including GLP-1 impact), and slower volume growth may constrain upside.</p> <p>Valuation & Technicals: Valuations declined, giving back some prior premium but remaining above historical averages. Our technical outlook remains weak. However, the sector is gaining relative momentum, and price appears to have found support at the long-term 200-day moving average.</p>								
Health Care – Outperform	8.30%		Outperform	Underperform	●	●	●	●
<p>Outlook: Attractive long-term growth drivers, improving sentiment and stabilizing technical trends all support our positive view.</p> <p>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.</p> <p>Valuation & Technicals: Valuations moved modestly higher and remain near historical norms, indicating gradual improvement in sentiment. Our technical outlook is stabilizing, and we have observed a bullish momentum divergence which can be a sign of a trend reversal to the upside.</p>								
Utilities – Underperform	2.11%		Outperform	Underperform	●	●	●	●
<p>Outlook: A weaker technical backdrop and limited valuation support outweigh defensive characteristics, despite longer-term structural demand.</p> <p>Fundamentals: Stretched valuations, fading rate-cut expectations, and rising costs limit near-term upside. Grid modernization, AI power demand, and electrification provide structural support, but are largely priced in after a strong run. A prolonged decline in yields could position Utilities to outperform.</p> <p>Valuation & Technicals: Valuations compressed and moved closer to historical averages, reflecting consolidation after prior strength. Our technical outlook has weakened substantially after price broke out of its consolidation range to the downside and fell through long-term price support.</p>								

Cyclical

Sensitive

Defensive

Economy & Cycle

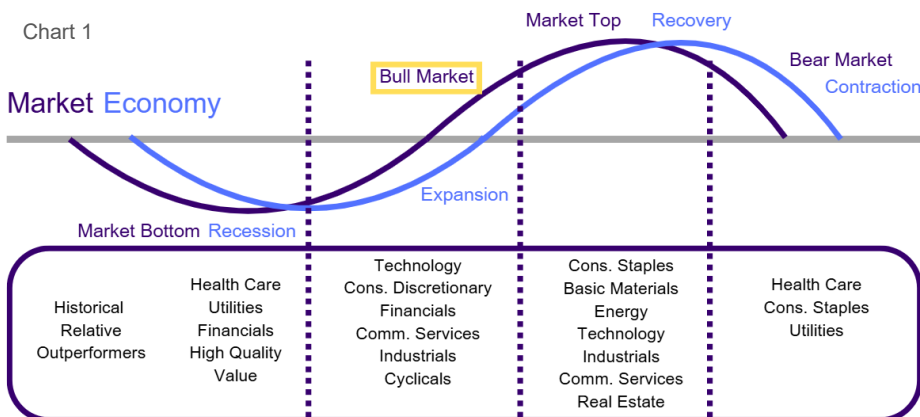
Economy

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 May 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		21.43	17.02	3.34	1.98	4.94	3.08	16.81	12.26	1.35	1.43	1.02%
Cyclical	Basic Materials	17.62	16.29	2.21	1.56	2.97	2.49	11.90	10.00	1.30	1.58	1.65%
	Cons. Discretionary	28.92	24.37	2.93	1.75	7.31	6.68	17.78	14.71	3.31	1.45	0.54%
	Financials	14.43	13.73	3.15	2.39	2.09	1.49	N/A	N/A	1.15	1.23	1.60%
	Real Estate	18.30	18.63	6.18	6.12	3.23	3.03	18.12	17.47	2.45	2.34	3.13%
Sensitive	Comm. Services	21.02	17.98	4.51	2.59	4.66	3.09	13.25	9.74	2.82	1.32	0.56%
	Energy	13.10	13.98	1.47	1.09	2.12	1.84	7.03	7.25	1.45	-1.51	2.72%
	Industrials	24.83	17.76	2.85	1.69	6.42	4.02	19.01	12.41	1.51	1.46	1.11%
	Technology	25.85	18.32	8.40	3.95	10.37	5.85	22.29	14.38	1.03	1.37	0.42%
Defensive	Cons. Staples	22.75	18.55	1.49	1.21	6.14	4.68	16.93	13.91	3.28	2.40	2.21%
	Health Care	17.62	15.24	1.44	1.48	4.33	3.51	15.54	12.81	1.94	1.52	1.69%
	Utilities	17.82	16.11	2.69	1.92	2.10	1.72	8.72	7.46	1.60	2.35	2.73%

Source: FactSet, Cetera Investment Management

Valuations

- **The S&P 500:** Valuations moved modestly higher over the past month. However, the increase was not broad-based, with expansion concentrated in a handful of sectors, most notably **Technology**. This dynamic suggests the index-level move higher is being driven by a narrower leadership cohort, reinforcing that valuations are still leading fundamentals and increasing reliance on continued earnings delivery to justify current pricing.
- **Cyclical Sectors:** Valuation trends across cyclical sectors weakened modestly and remain mixed. **Consumer Discretionary** was relatively resilient, though the move higher appears to be driven by multiple expansion. **Financials**, **Real Estate**, and **Basic Materials** all saw slight multiple compression. Overall, cyclical valuations edged lower, and dispersion within the group remains elevated, reinforcing the importance of selectivity.
- **Sensitive Sectors:** Valuations are increasingly bifurcated. **Technology** led a meaningful re-acceleration higher, with broad-based multiple expansion and improving growth prospects as the PEG ratio contracted further. **Energy** saw a sharp valuation reset lower. **Communication Services** and **Industrials** also drifted modestly lower.
- **Defensive Sectors:** Valuations broadly consolidated following prior strength. **Consumer Staples** and **Utilities** both saw notable multiple compression, while **Health Care** was the lone sector to move modestly higher. Taken together, defensive positioning appears to be cooling rather than extending, with less dispersion than other sector groups and a more uniform normalization in valuations.

Technicals

Sector Relative Strength

Cyclical Sectors *underperforming*

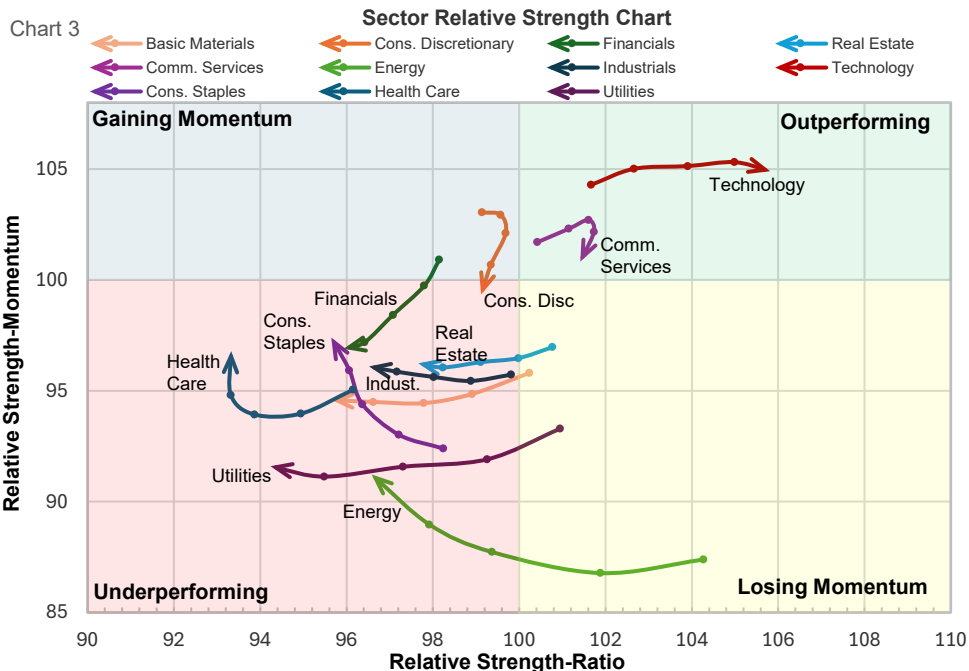
- Consumer Discretionary made a hook turn into the underperforming quadrant.
- Financials are losing relative strength and momentum.
- Basic Materials and Real Estate are continuing to lose relative strength.

Sensitive Sectors *mixed*

- Technology is gaining relative strength, moving deeper into the outperforming quadrant.
- Communication Services has made a hook turn and is beginning to lose relative momentum.
- Energy and Industrials are still losing relative strength.

Defensive Sectors *gaining relative momentum*

- Health Care and Consumer Staples have begun to gain relative momentum. Utilities may also begin to show signs of improving momentum.

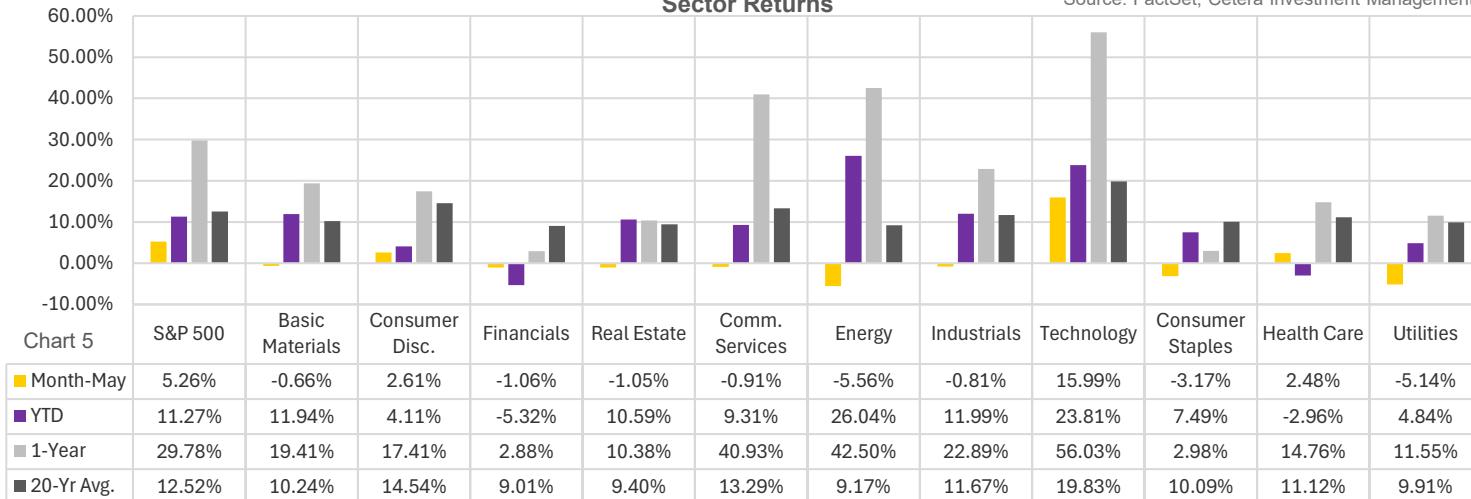


Source: FactSet, Cetera Investment Management

Chart 4		Sector Trend Analysis								*MA = Moving Avg.
Month-End May 2026	Price	50-Day MA	% from MA	20-Yr Avg.	Deviation	YTD	M/M MA Change	Trend	Overbought/Oversold	
S&P 500	7,580.06	7,058.17	7.39%	0.88%	1.82	11.27%	3.58%	Up	Overbought	
Cyclical	Basic Materials	638.95	638.01	-4.00%	0.62%	-0.76	11.94%	-0.38%	Neutral	Neutral
	Cons. Discretionary	2,002.94	1,891.84	5.87%	1.04%	1.12	4.11%	3.12%	Up	Overbought
	Financials	856.67	848.28	0.99%	0.42%	0.16	-5.32%	0.73%	Neutral	Neutral
	Real Estate	279.06	274.34	1.72%	0.42%	0.30	10.59%	1.10%	Neutral	Neutral
Sensitive	Comm. Services	493.15	470.15	4.89%	0.70%	1.07	9.31%	4.71%	Up	Overbought
	Energy	854.93	892.43	-4.20%	0.47%	-0.64	26.04%	1.17%	Neutral	Neutral
	Industrials	1,463.53	1,438.30	1.75%	0.81%	0.35	11.99%	0.18%	Neutral	Neutral
	Technology	7,021.77	5,986.70	17.29%	1.50%	3.33	23.81%	8.51%	Up	Extreme Overbought
Defensive	Cons. Staples	921.47	936.85	-1.64%	0.68%	-0.56	7.49%	-0.65%	Neutral	Neutral
	Health Care	1,739.78	1,705.65	2.00%	0.79%	0.56	-2.96%	-2.12%	Neutral	Neutral
	Utilities	449.71	462.97	-2.86%	0.55%	-0.75	4.84%	-1.48%	Neutral	Neutral

Sector Returns

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.

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.

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