Cetera Sector Insights

Gain clarity on what's driving equity performance with our 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: 39.71%

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



Communication Services

Rating: ▲ Outperform
S&P 500 Weight: 9.95%

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



Real Estate

Rating: ▼ Underperform
S&P 500 Weight: 1.70%

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



Utilities

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

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

S&P 500 Sector Update: November 2026

Underperform | Market Perform | Outperform

Outperform:	Underperform:
Health Care	Industrials
Financials	Real Estate
	Utilities

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

Cyclical

Basic Materials – Market Perform 1.74%

Outlook: A balanced near-term setup as improving technicals are offset by below-average earnings beats and rate sensitivity in precious metals.
Fundamentals: Higher real yields could keep metals prices volatile, but electrification, AI infrastructure, and EV and renewable build-out underpin copper demand. Reshoring-led infrastructure spending adds to longer-term growth.
Valuation & Technicals: Headline multiples expanded modestly above historical norms, though PEG remains well below its average. Our technical outlook has improved slightly, but the sector appears to be trading in a sideways channel with price meeting historical resistance to the upside.

Consumer Discretionary – Market Perform 9.03%

Outlook: Relief from lower gas prices and a firm labor market is offset by overhead technical resistance, limiting price advances in the short term.
Fundamentals: Higher mortgage rates and price inflation continue to pressure lower-income consumers heading into the holiday season. Resilient higher-income spending and any policy support may cushion the sector.
Valuation & Technicals: Valuation ratios have compressed further, and the sector now trades at a discount across multiple measures. Our technical view remains weak. The sector now trades below the 50- and 200-day moving averages but appears to have found support at its long-term uptrend line.

Financials – Outperform 12.18%

Outlook: Strong balance sheets, healthy capital positions, a potential rate hike, and a firm labor market support our outperform view.
Fundamentals: Strong balance sheets, solid capital positions, stronger October payrolls and rising net interest income at most large banks offer a cushion. A flattening yield curve and private-credit exposure to AI-disrupted borrowers are the key risks to monitor.
Valuation & Technicals: Valuations have cooled, moderating closer to historical norms and remain attractive on a growth-adjusted basis. Our technical opinion is weak. However, price found support at the 200-day moving average and momentum appears to be improving under the surface.

Real Estate – Underperform 1.80%

Outlook: Ongoing bifurcation across sub-sectors, higher financing costs and downward technical trends reinforce a cautious stance.
Fundamentals: Higher financing costs, a likely December rate hike and continued office and retail pressure weigh on the sector. E-commerce-driven demand offers support, while political scrutiny of data centers adds near-term uncertainty.
Valuation & Technicals: Valuations trade at a discount versus history. Technicals remain weak as price continues its downward-sloping trend.

Sensitive

Communication Services – Market Perform 8.42%

Outlook: Healthy revenue growth and reset valuations balanced against bearish technical conditions and AI spend support our market perform view.
Fundamentals: Revenue growth remains healthy but concentrated in a few mega-caps, leaving the sector exposed to softer ad and subscription spend as investors question returns on heavy AI spending.
Valuation & Technicals: Valuations edged higher, moving back above historical averages, though the sector remains attractive on a growth-adjusted basis. Technicals are improving with price breaking out of its consolidation range to the upside, supported by improving relative strength and momentum.

Energy – Market Perform 3.91%

Outlook: Headline risk, geopolitics and oil-driven volatility are offset by strong earnings and below-average valuations, supporting a market perform view.
Fundamentals: Oil hinges on the Strait of Hormuz. Early-November diplomacy eased prices, while renewed disruption would lift them. AI-driven power needs offer longer-term support.
Valuation & Technicals: Valuations have moved lower across the board, leaving P/E and PEG well below historical averages. Our technical opinion remains supportive of further price advances as the uptrend remains intact with the 50-day moving average acting as support.

Industrials – Underperform 8.15%

Outlook: Midterm-driven risk to data-center and defense spending, elevated valuations and weak technicals support an underperform view.
Fundamentals: The midterm results put the sector's key growth drivers, data-center power equipment and defense, at risk. Rising input costs add pressure, while strong earnings provide a partial offset.
Valuation & Technicals: Valuations cooled further but remain meaningfully above historical norms across every measure, including growth-adjusted. Our technical outlook is weak. Price is now below the 50- and 200-day moving averages. Caution is warranted given the limited price support and fading trend.

Technology – Market Perform 37.45%

Outlook: Structural growth drivers continue to support the sector, though high growth expectations increase reliance on sustained AI-driven earnings delivery to justify further upside. Combined with weak technicals warrant a market perform view.
Fundamentals: Secular tailwinds including AI infrastructure, cloud expansion, semiconductor demand, and global digital transformation continue to support long-term fundamentals, but post-midterm scrutiny of data centers and a likely December rate hike add near-term pressure.
Valuation & Technicals: Valuations were little changed on an absolute basis and remain above historical averages, while PEG stays far below its norm. Our technical outlook has strengthened further, supported by trend acceleration as well as improving relative strength, momentum, and breadth.

Defensive

Consumer Staples – Market Perform 4.99%

Outlook: Defensive characteristics and strong price momentum offset by higher input costs and elevated valuations, supporting a market perform view.
Fundamentals: Input cost inflation and slower volumes are the key watch items, though leading brands' pricing power and steadier earnings could provide support if economic growth slows.
Valuation & Technicals: Valuations eased again but remain above historical averages across every measure. Our technical outlook remains weak, and the sector lacks both relative strength and momentum. The sector is flagging as oversold in the short term as price continues to consolidate sideways.

Health Care – Outperform 10.25%

Outlook: Attractive growth drivers and leading momentum support our outperform view, though extended technicals may bring near-term volatility.
Fundamentals: Drug pricing reform and regulatory uncertainty remain the main overhang, though the midterm results may ease policy pressure. Biotech and life-science innovation, GLP-1 and AI-driven productivity gains, and aging demographics should support longer-term demand and earnings growth.
Valuation & Technicals: Valuations eased modestly and remain above historical averages, though a notably lower PEG has narrowed the growth-adjusted premium. Our technical outlook has weakened as the sector cools from overbought conditions. The 50-day moving average is acting as support.

Utilities – Underperform 2.09%

Outlook: A weaker technical backdrop, post-midterm risk to AI power demand outweigh defensive characteristics, despite long-term structural demand.
Fundamentals: Higher-for-longer rate expectations and higher costs limit near-term upside, while post-midterm scrutiny of data centers puts AI-driven power demand at risk. Grid modernization and electrification provide structural support. A prolonged decline in yields would be a tailwind for the sector.
Valuation & Technicals: Valuations eased across the board as the sector is being pressured by higher interest rates. Our technical outlook remains weak as price continues its downward trend. The sector lacks breadth but may benefit from mean reversion as the sector is flagging as extreme oversold.

Economy & Cycle

Economy

The U.S. economy has held up better than expected. Advance estimates show third-quarter GDP growth accelerating to 3.4% from 2.2% in the second quarter, even as the Iran war and higher energy prices strain household budgets. Headline inflation rose to 3.7% year-over-year in September, driven largely by energy costs, while core inflation edged up to 2.6%. The Fed raised rates on September 16 for the first time since 2023, lifting the fed funds range to 3.75%–4.00%, and unemployment has since edged down to 4.1%. The 10-year Treasury yield has moved above 5% and is beginning to weigh on equity valuations. Consumer spending remains supportive for Consumer Discretionary, while AI capital spending continues to support earnings in Technology, Industrials, and Communication Services, though earnings expectations have climbed well ahead of the economy, with third-quarter S&P 500 earnings growth near 30%, leaving little room for disappointment. Higher yields may be a headwind for Real Estate and Utilities. Overall, the outlook remains constructive, but risks are growing, including the Fed, the war in Iran, and the path of inflation, reinforcing 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.

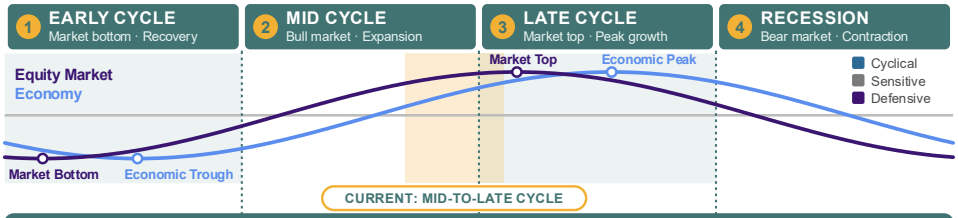


Chart 1 HISTORICAL RELATIVE SECTOR OUTPERFORMERS (VS. S&P 500)

Financials	Technology	Energy	Consumer Staples
Consumer Discretionary	Communication Services	Materials	Health Care
Real Estate	Industrials		Utilities
ALSO TENDS TO HOLD UP	ALSO TENDS TO HOLD UP	ALSO TENDS TO HOLD UP	
Technology	Consumer Discretionary	Health Care	
Industrials	Financials	Consumer Staples	

Source: Cetera Investment Management. Illustrative of historical tendencies only; past performance is not a guarantee of future results.

Chart 2 **Valuation**

Month-End Sep. 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		18.51	17.13	3.14	2.02	4.54	3.14	14.57	12.43	0.90	1.37	1.04%
Cyclical	Basic Materials	17.44	16.42	2.17	1.60	3.09	2.69	11.52	10.04	0.96	1.55	1.59%
Cyclical	Cons. Discretionary	25.01	24.40	2.67	1.77	5.69	6.66	14.61	14.73	1.15	1.30	0.57%
Cyclical	Financials	14.59	13.75	3.26	2.41	2.23	1.51	N/A	N/A	1.10	1.22	1.51%
Cyclical	Real Estate	17.57	18.56	5.99	6.02	3.28	3.07	16.99	17.37	2.20	2.27	3.06%
Sensitive	Comm. Services	15.82	17.92	3.52	2.64	3.21	3.13	9.99	9.76	0.92	1.23	0.69%
Sensitive	Energy	13.27	16.57	1.70	1.11	2.43	1.77	7.70	6.97	0.99	2.35	2.38%
Sensitive	Industrials	22.41	17.97	2.60	1.69	5.95	4.04	17.06	12.53	1.37	0.64	1.13%
Sensitive	Technology	18.96	18.45	6.64	3.96	8.19	5.88	16.74	14.51	0.63	1.32	0.47%
Defensive	Cons. Staples	24.29	18.82	1.60	1.22	6.71	4.86	18.08	14.14	2.74	2.39	1.97%
Defensive	Health Care	20.07	15.40	1.74	1.49	5.32	3.55	17.74	12.96	1.48	1.48	1.39%
Defensive	Utilities	16.95	16.13	2.59	1.94	1.97	1.73	8.34	7.48	1.81	2.38	2.84%

Source: FactSet, Cetera Investment Management

Valuations

- **The S&P 500:** The index's forward price-to-earnings (P/E) ratio declined to 18.5 from 19.1 in October, driven by **Technology** and **Communication Services**, which together make up roughly half of the index. Most other sectors saw their P/E ratios rise. Earnings growth expectations also declined, raising the growth-adjusted P/E (PEG) to 0.90 from 0.79, though it remains well below its long-term average of 1.37. Valuations remain above historical averages, but the premium narrowed.
- **Cyclical Sectors:** Valuations increased across the group, following declines last month. **Consumer Discretionary** moved back above its long-term average P/E, while **Basic Materials** and **Financials** are now about 6% above theirs, though both remain below average on a growth-adjusted basis. **Real Estate's** PEG rose, in line with its long-term average, the largest increase in the group.
- **Sensitive Sectors: Technology** and **Communication Services** saw the largest valuation declines. **Communication Services'** P/E fell below its long-term average, while **Technology's** is now close to its own and remains well below average on a growth-adjusted basis. **Industrials'** P/E was little changed and remains well above its long-term average. **Energy's** P/E rose but remains well below its average.
- **Defensive Sectors:** Valuations increased across the group. **Consumer Staples** saw the largest increase, with its P/E nearly 30% above its long-term average and its PEG also above average. **Health Care's** P/E rose, but higher growth expectations brought its PEG in line with its long-term average. **Utilities'** P/E moved back above its long-term average, though its PEG remains well below average.

Technicals

Sector Relative Strength

Cyclical Sectors *gaining relative momentum*

- **Consumer Discretionary** is the relative leader of the group, gaining relative strength and momentum versus the S&P 500.
- **Financials, Basic Materials** and **Real Estate** are also gaining relative momentum.

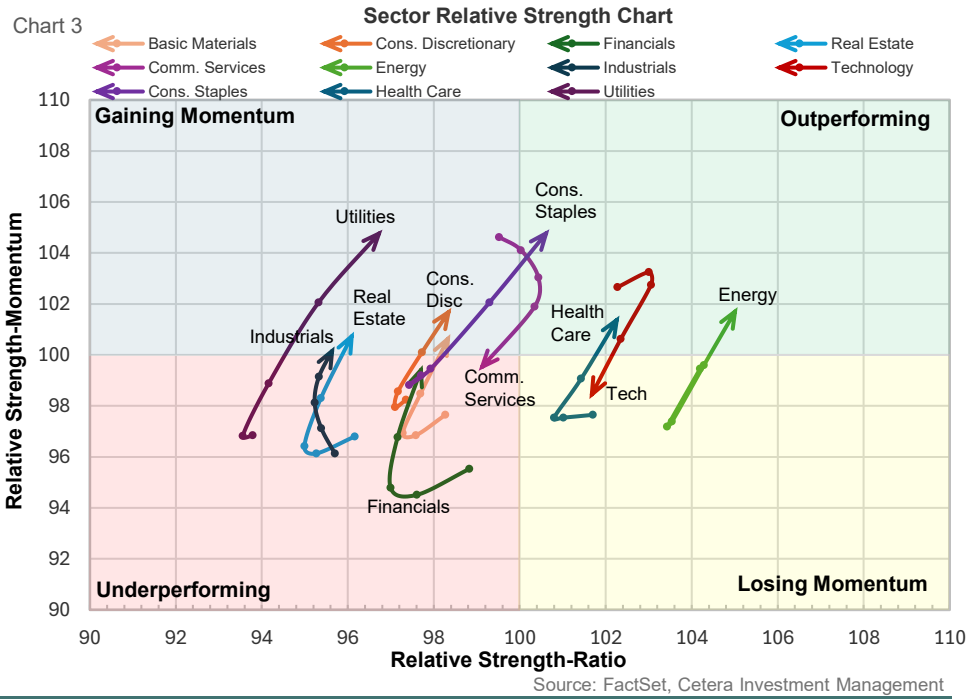
Sensitive Sectors *mixed*

- **Technology** and **Communication Services** are both now losing relative strength and momentum, with **Communication Services** moving to the underperforming quadrant.
- **Energy** is gaining relative strength and momentum.
- **Industrials** continue to gain relative momentum.

Defensive Sectors *gaining strength and momentum*

- Defensive sectors are gaining relative strength and momentum with **Health Care** leading the group on relative strength, completing a bullish sub-rotation back into the outperforming quadrant.

Chart 3



Source: FactSet, Cetera Investment Management

Chart 4 — **Sector Trend Analysis** — *MA = Moving Avg.

Month-End Sep. 2026		Price	50-Day MA	% from MA	20-Yr Avg.	Deviation	YTD	M/M MA Change	Trend	Overbought/Oversold
S&P 500		7,580.07	7,697.08	-1.52%	0.89%	-0.37	11.77%	0.64%	Neutral	Neutral
Cyclical	Basic Materials	657.95	643.61	2.23%	0.63%	0.43	15.97%	-0.68%	Neutral	Neutral
Cyclical	Cons. Discretionary	1,877.86	1,871.43	0.34%	0.99%	0.07	-2.11%	-0.66%	Neutral	Neutral
Cyclical	Financials	939.87	930.00	1.06%	0.43%	0.17	4.53%	-1.67%	Neutral	Neutral
Cyclical	Real Estate	275.07	272.16	1.07%	0.32%	0.18	10.66%	-3.11%	Down	Neutral
Sensitive	Comm. Services	398.79	460.09	-13.32%	0.61%	-2.91	-11.31%	0.21%	Neutral	Extreme Oversold
Sensitive	Energy	1,076.50	993.83	8.32%	0.54%	1.26	59.92%	4.92%	Up	Overbought
Sensitive	Industrials	1,416.77	1,443.76	-1.87%	0.81%	-0.37	8.87%	-3.69%	Down	Neutral
Sensitive	Technology	6,771.47	7,080.95	-4.37%	1.55%	-0.85	19.65%	2.39%	Neutral	Neutral
Defensive	Cons. Staples	1,002.77	940.33	6.64%	0.65%	2.25	18.29%	0.69%	Neutral	Extreme Overbought
Defensive	Health Care	2,155.33	2,006.57	7.41%	0.84%	2.07	21.02%	2.37%	Neutral	Extreme Overbought
Defensive	Utilities	441.14	423.27	4.22%	0.46%	1.09	3.94%	-2.70%	Down	Overbought

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-Oct.	-0.87%	6.57%	3.93%	5.91%	5.08%	-15.11%	14.00%	0.30%	-6.80%	11.62%	9.87%	10.17%
YTD	11.77%	15.97%	-2.11%	4.53%	10.66%	-11.31%	59.92%	8.87%	19.65%	18.29%	21.02%	3.94%
1-Year	12.11%	23.49%	-3.71%	9.75%	10.40%	-6.60%	64.22%	9.31%	14.23%	21.11%	30.48%	0.38%
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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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.

Technical Analysis is a methodology that evaluates financial markets by analyzing statistical patterns in market data such as price movement, volume, and momentum to help forecast potential market behavior and make informed investment decisions.

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.

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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.