



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: 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: October 2026



Economy & Cycle

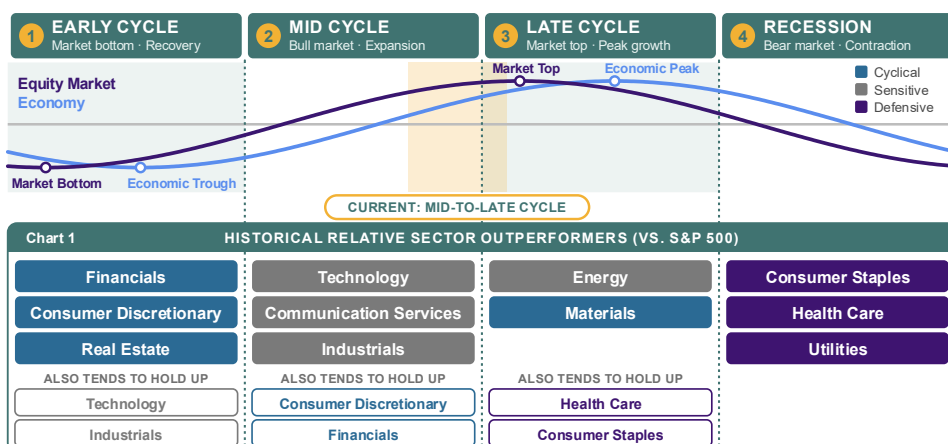
Economy

The U.S. economy has held up, though second-quarter GDP growth slowed to 2.2% from 2.5% in the first quarter as the Iran war and higher energy prices continue to weigh on activity. Headline inflation accelerated to 3.7% year-over-year in September, driven largely by energy costs, while core inflation edged up to 2.6%. With unemployment ticking up to 4.2%, the Fed raised rates on September 16 for the first time since 2023, lifting the fed funds range to 3.75%–4.00%. 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 surging AI capital spending supports opportunities in Technology, Industrials, and Communication Services, though earnings expectations have climbed well ahead of the economy, with second-quarter S&P 500 earnings growth near 52%, 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 midterm election noise, 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.



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		19.12	17.12	3.21	2.02	4.66	3.13	15.25	12.42	0.79	1.37	1.00%
Cyclical	Basic Materials	16.65	16.42	2.09	1.60	2.93	2.69	10.85	10.03	0.98	1.56	1.65%
	Cons. Discretionary	23.76	24.40	2.58	1.77	5.88	6.67	14.81	14.73	1.12	1.30	0.58%
	Financials	13.98	13.75	3.11	2.41	2.10	1.50	N/A	N/A	1.07	1.22	1.58%
	Real Estate	16.80	18.57	5.73	6.02	3.06	3.07	16.24	17.37	1.65	2.27	3.23%
Sensitive	Comm. Services	18.26	17.92	4.21	2.63	3.85	3.13	11.96	9.75	1.05	1.23	0.58%
	Energy	12.95	16.59	1.56	1.11	2.24	1.76	7.19	6.97	1.05	2.36	2.45%
	Industrials	22.49	17.95	2.64	1.69	5.96	4.04	17.23	12.51	1.19	0.64	1.13%
	Technology	21.52	18.44	7.39	3.95	9.09	5.87	18.89	14.50	0.57	1.33	0.41%
Defensive	Cons. Staples	21.60	18.79	1.42	1.22	6.03	4.86	16.27	14.13	2.70	2.39	2.21%
	Health Care	18.55	15.39	1.60	1.49	4.84	3.54	16.39	12.94	1.62	1.48	1.53%
	Utilities	15.48	16.13	2.34	1.94	1.80	1.73	7.68	7.48	1.67	2.38	2.98%

Source: FactSet, Cetera Investment Management

Valuations

- **The S&P 500:** September brought a quiet but constructive shift beneath the surface. Valuations eased while growth expectations kept climbing, meaning the market is being asked to justify a smaller premium than it was a month ago. The cooling was broad, with only the **Technology** and **Communication Services** sectors rising for the month. Headline multiples are still sitting above their historical norms, but the broad market is looking slightly more attractive on a growth-adjusted basis than it was a month ago.
- **Cyclical Sectors:** Valuations reset lower across the entire group. **Basic Materials** and **Financials** saw forward P/E compress to roughly their long-term averages, and **Consumer Discretionary** slipped just below its own norm. **Real Estate** now trades below its historical average on every measure, while **Basic Materials** posted the group's sharpest PEG reset, leaving it well below average.
- **Sensitive Sectors:** **Technology** and **Communication Services** diverged from the group as multiples edged higher; **Technology's** PEG still sits far below average, while **Communication Services** moved back above its norm on P/E. **Industrials** cooled but still trades at a clear premium to its historical norm. **Energy** reversed last month's expansion, with P/E and PEG now well below their averages.
- **Defensive Sectors:** **Consumer Staples** eased but remains above its historical average on every measure, including growth-adjusted PEG. **Health Care** also stayed elevated on headline multiples, though a lower PEG has narrowed its growth-adjusted premium to under 10%. **Utilities** stood apart, slipping modestly below its long-run average on forward P/E, with its PEG still well below history.

Technicals

Sector Relative Strength

Cyclical Sectors *losing strength and momentum*

- **Basic Materials** and **Consumer Discretionary** are both making bearish sub-rotations back into the underperforming quadrant.
- **Financials** and **Real Estate** are continuing to lose relative strength.

Sensitive Sectors *mixed*

- **Communication Services** is now gaining both relative strength and momentum.
- **Technology** continues to gain relative strength and momentum, rotating into the outperforming quadrant.
- **Energy** is now losing relative momentum.
- **Industrials** continue to lose relative strength, but momentum may be stabilizing.

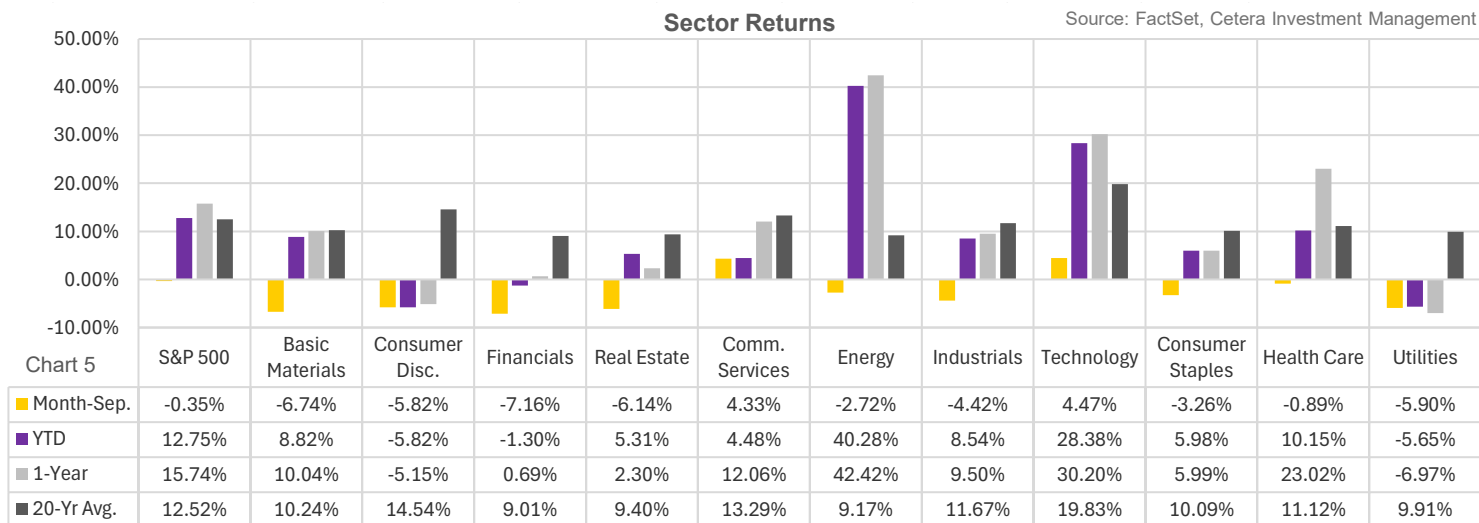
Defensive Sectors *losing relative strength*

- Defensive sectors are losing or lack relative strength amid higher interest rates.



Source: Fitch, Global 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		7,651.54	7,648.00	0.05%	0.90%	0.01	12.75%	1.06%	Neutral	Neutral
Cyclical	Basic Materials	617.73	648.03	-4.68%	0.65%	-0.89	8.82%	0.04%	Neutral	Neutral
	Cons. Discretionary	1,807.11	1,883.93	-4.08%	1.02%	-0.78	-5.82%	-0.91%	Neutral	Neutral
	Financials	888.55	945.79	-6.05%	0.45%	-0.98	-1.30%	0.62%	Neutral	Neutral
	Real Estate	262.03	280.89	-6.71%	0.36%	-1.15	5.31%	-1.67%	Neutral	Oversold
Sensitive	Comm. Services	470.20	459.14	2.41%	0.63%	0.53	4.48%	0.35%	Neutral	Neutral
	Energy	944.63	947.21	-0.27%	0.52%	-0.04	40.28%	6.20%	Up	Neutral
	Industrials	1,413.31	1,499.13	-5.72%	0.84%	-1.14	8.54%	-2.52%	Down	Oversold
	Technology	7,267.14	6,915.97	5.08%	1.57%	0.98	28.38%	2.61%	Up	Neutral
Defensive	Cons. Staples	900.55	933.90	-3.57%	0.64%	-1.22	5.98%	-0.53%	Neutral	Oversold
	Health Care	1,963.91	1,960.19	0.19%	0.83%	0.05	10.15%	2.45%	Neutral	Neutral
	Utilities	400.64	435.03	-7.90%	0.47%	-2.05	-5.65%	-3.96%	Down	Extreme Oversold



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.

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.

