



## 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: 37.87%

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



## Communication Services

Rating: ▲ Outperform  
S&P 500 Weight: 9.50%

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



## Financials

Rating: ▲ Outperform  
S&P 500 Weight: 12.30%

- ▲ 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: 1.98%

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



## Consumer Discretionary

Rating: ▼ Underperform  
S&P 500 Weight: 9.14%

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

# S&P 500 Sector Update: September 2026



## Economy & Cycle

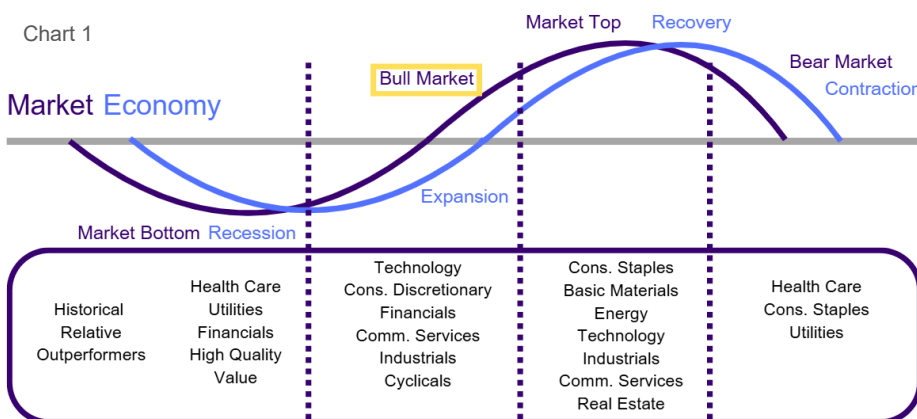
### Economy

The U.S. economy has proven resilient through the first half of 2026, though growth is cooling, with second-quarter GDP decelerating to 1.5% from 2.1% in the first quarter as the Iran war and elevated energy prices continue to weigh on the economy. As of August, inflation has risen 3.4% 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 Aug. 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                 |                     | 19.58       | 17.09   | 3.25        | 2.01    | 4.73        | 3.11    | 15.55        | 12.38   | 0.87          | 1.38    | 1.02%      |
| Cyclical                | Basic Materials     | 18.08       | 16.43   | 2.28        | 1.60    | 3.09        | 2.64    | 12.06        | 10.09   | 1.44          | 1.55    | 1.54%      |
|                         | Cons. Discretionary | 25.17       | 24.40   | 2.76        | 1.77    | 6.36        | 6.67    | 15.94        | 14.73   | 1.31          | 1.31    | 0.57%      |
|                         | Financials          | 15.22       | 13.75   | 3.39        | 2.41    | 2.28        | 1.50    | N/A          | N/A     | 1.17          | 1.23    | 1.46%      |
|                         | Real Estate         | 18.09       | 18.57   | 6.19        | 6.03    | 3.19        | 3.07    | 17.52        | 17.38   | 1.95          | 2.31    | 3.03%      |
| Sensitive               | Comm. Services      | 17.64       | 18.01   | 4.05        | 2.61    | 3.76        | 3.11    | 11.64        | 9.75    | 1.06          | 1.24    | 0.60%      |
|                         | Energy              | 14.07       | 15.59   | 1.64        | 1.10    | 2.35        | 1.77    | 7.73         | 7.00    | 1.46          | 2.22    | 2.46%      |
|                         | Industrials         | 23.58       | 17.89   | 2.74        | 1.67    | 6.22        | 4.01    | 17.95        | 12.46   | 1.46          | 1.28    | 1.06%      |
|                         | Technology          | 21.43       | 18.39   | 7.29        | 3.93    | 9.03        | 5.86    | 18.77        | 14.45   | 0.58          | 1.33    | 0.45%      |
| Defensive               | Cons. Staples       | 22.38       | 18.74   | 1.48        | 1.22    | 6.17        | 4.75    | 16.78        | 14.06   | 2.88          | 2.40    | 2.21%      |
|                         | Health Care         | 18.99       | 15.29   | 1.61        | 1.48    | 4.88        | 3.52    | 16.74        | 12.86   | 1.81          | 1.49    | 1.50%      |
|                         | Utilities           | 16.60       | 16.13   | 2.51        | 1.93    | 1.93        | 1.73    | 8.24         | 7.48    | 1.73          | 2.34    | 2.92%      |

Source: FactSet, Cetera Investment Management

### Valuations

- **The S&P 500:** Valuations barely budged in August, but what's happening underneath tells a different story than July. The PEG ratio dropped sharply while price multiples stayed roughly flat. In other words, growth expectations are catching up faster than prices are moving. That's pushed the index-level PEG well below its historical average. On a growth-adjusted basis, the market looks more attractive than it has in months, even though headline multiples are still at a premium by historical standards.
- **Cyclical Sectors:** **Basic Materials** pushed further above its historical norms across the board, though its growth-adjusted PEG stayed reasonable. **Real Estate** held roughly in line with its long-run average. **Financials** continued grinding higher but remains the group's most reasonably valued name. **Consumer Discretionary's** PEG reset sharply lower, now roughly in line with its own average.
- **Sensitive Sectors:** **Industrials** remains the priciest of the group, cooling only modestly and still rich on a growth-adjusted basis. **Technology** cooled further on headline multiples, but its PEG fell deeper below average, keeping growth-adjusted valuation attractive. **Energy's** multiples expanded again on the oil rally. **Communication Services' PEG** reset sharply lower, now at a discount to average.
- **Defensive Sectors:** **Consumer Staples** eased modestly but remains above its long-run average across most measures. **Health Care** moved further above historical norms on headline multiples, though a notably lower PEG points to improving growth expectations. **Utilities** eased across the board and now trades nearly in line with its historical average, with the growth-adjusted PEG staying attractive.

## Technicals

### Sector Relative Strength

#### Cyclical Sectors *mixed*

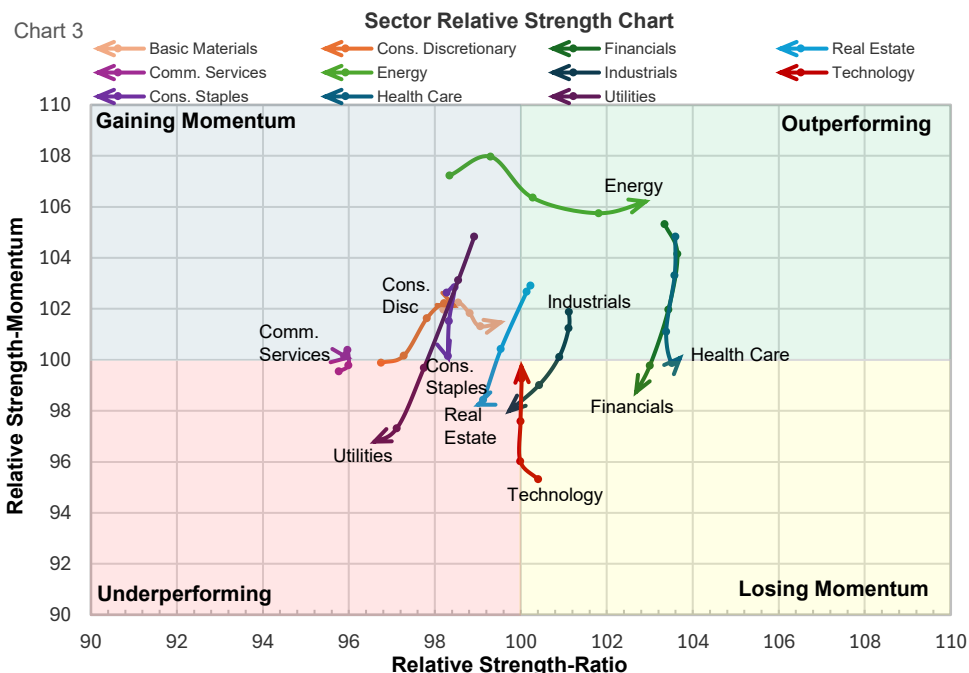
- Basic Materials and Consumer Discretionary are both gaining relative strength, but the moves lack velocity and conviction.
- Financials and Real Estate are both losing relative momentum.

#### Sensitive Sectors *mixed*

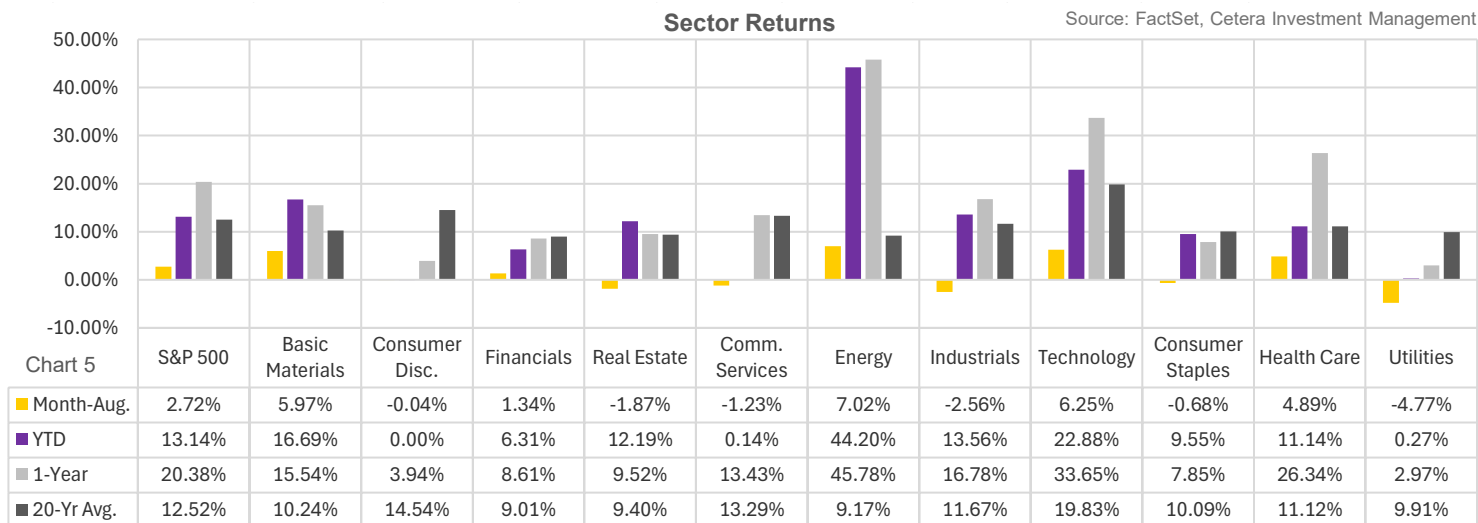
- Energy continues to gain relative strength, boosted by rising oil prices.
- Technology made a sharp reversal and is now gaining relative momentum.
- Industrials is losing both relative strength and momentum, rotating to underperforming.
- Communication Services continues to consolidate and has no relative price momentum.

#### Defensive Sectors *losing relative momentum*

- Defensive sectors are all losing relative momentum, but Health Care remains relatively strong.



| Chart 4             |                     | Sector Trend Analysis |           |           |            |           |        |               | *MA = Moving Avg. |                     |
|---------------------|---------------------|-----------------------|-----------|-----------|------------|-----------|--------|---------------|-------------------|---------------------|
| Month-End Aug. 2026 |                     | Price                 | 50-Day MA | % from MA | 20-Yr Avg. | Deviation | YTD    | M/M MA Change | Trend             | Overbought/Oversold |
| S&P 500             |                     | 7,686.14              | 7,567.50  | 1.57%     | 0.91%      | 0.39      | 13.14% | 1.28%         | Neutral           | Neutral             |
| Cyclical            | Basic Materials     | 663.71                | 647.79    | -4.00%    | 0.66%      | -0.77     | 16.69% | 1.44%         | Neutral           | Neutral             |
|                     | Cons. Discretionary | 1,920.67              | 1,901.27  | 1.02%     | 1.05%      | 0.20      | 0.00%  | 0.22%         | Neutral           | Neutral             |
|                     | Financials          | 958.36                | 939.92    | 1.96%     | 0.47%      | 0.32      | 6.31%  | 4.33%         | Up                | Neutral             |
|                     | Real Estate         | 280.86                | 285.66    | -1.68%    | 0.39%      | -0.29     | 12.19% | 0.62%         | Neutral           | Neutral             |
| Sensitive           | Comm. Services      | 450.98                | 457.54    | -1.43%    | 0.65%      | -0.31     | 0.14%  | -2.00%        | Neutral           | Neutral             |
|                     | Energy              | 971.77                | 891.89    | 8.96%     | 0.47%      | 1.36      | 44.20% | 3.25%         | Up                | Overbought          |
|                     | Industrials         | 1,479.83              | 1,537.87  | -3.77%    | 0.87%      | -0.76     | 13.56% | 1.89%         | Neutral           | Neutral             |
|                     | Technology          | 6,959.48              | 6,740.00  | 3.26%     | 1.58%      | 0.63      | 22.88% | 0.55%         | Neutral           | Neutral             |
| Defensive           | Cons. Staples       | 933.49                | 938.84    | -0.57%    | 0.66%      | -0.19     | 9.55%  | 0.25%         | Neutral           | Neutral             |
|                     | Health Care         | 1,984.28              | 1,913.36  | 3.71%     | 0.84%      | 1.04      | 11.14% | 5.07%         | Up                | Overbought          |
|                     | Utilities           | 426.86                | 452.97    | -5.76%    | 0.50%      | -1.50     | 0.27%  | -0.70%        | Neutral           | 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.

