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

Underperform | Market Perform | Outperform

Outperform:	Underperform:
Technology	Real Estate
Comm. Services	Utilities
Financials	Consumer Discretionary

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

Cyclical

Basic Materials – Market Perform 1.83%

Outlook: Balanced near-term setup as improving earnings expectations offset elevated valuations, while technicals also show a mixed picture.
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 which is also reflected in near-term earnings estimates.
Valuation & Technicals: Valuations moved higher across the board, pushing further above historical norms. Our technical outlook has improved slightly as price appears to have broken out of its triangle consolidation range to the upside, but momentum has not yet confirmed the new price highs.

Consumer Discretionary – Underperform 9.14%

Outlook: Mounting pressure on the consumer combined with technical price resistance to the upside keep risks skewed to the downside.
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.
Valuation & Technicals: Headline valuations were little changed, but a sharply lower PEG now leaves the sector reasonably valued on a growth-adjusted basis. Our technical opinion remains weak. Relative strength has improved but price is meeting resistance to the upside on an absolute basis.

Financials – Outperform 12.30%

Outlook: Strong balance sheets, healthy capital positions, and higher-for-longer rates support our positive view.
Fundamentals: Duration and funding risks warrant monitoring if rates remain elevated for longer than expected, though strong corporate balance sheets and solid capital positions provide fundamental support.
Valuation & Technicals: Valuations continued to grind modestly higher, though the sector still looks reasonably valued versus history on a growth-adjusted basis. Our technical outlook has weakened as relative strength and momentum are beginning to cool after a stretch of outperformance.

Real Estate – Underperform 1.80%

Outlook: Ongoing bifurcation across sub-sectors, higher financing costs and weak technical trends reinforce a cautious stance.
Fundamentals: Mixed fundamentals remain bifurcated. Ongoing pressure in sub-sectors, such as office and retail, create uncertainty, though structural tailwinds from e-commerce, cloud adoption, and data center expansion provide support.
Valuation & Technicals: Valuations appear fair. Technicals have deteriorated and price support has been broken following the momentum divergence.

Sensitive

Communication Services – Outperform 9.50%

Outlook: Solid structural growth and reset valuations support our more bullish outlook, with technicals firming toward a potential upside breakout.
Fundamentals: 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.
Valuation & Technicals: Valuations eased modestly and settled back in line with history, while a sharply lower PEG now points to improving growth expectations. Technicals remain weak; on watch for a price breakout to the upside out of the consolidation range, supported by bullish momentum.

Energy – Market Perform 3.48%

Outlook: Headline risk, geopolitics, and oil-driven inflation risks may increase volatility in the near-term.
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.
Valuation & Technicals: Valuations expanded across most measures but remain reasonably attractive. Our technical outlook remains mixed, as rising oil prices have helped propel the sector higher, though momentum is now beginning to diverge from price, a warning sign of potential downside ahead.

Industrials – Market Perform 8.31%

Outlook: Structural tailwinds remain supportive, but valuations remain elevated and the sector is losing relative strength and momentum in the short term.
Fundamentals: Geopolitical uncertainty may pressure economically sensitive areas such as transports and logistics, though infrastructure investment, supply chain reshoring, AI-driven demand, and higher defense spending provide durable long-term support in sub-sectors.
Valuation & Technicals: Valuations cooled further but remain meaningfully above historical norms across every measure, including growth adjusted. Our technical outlook is weak. Price broke below the 50-day moving average and we are monitoring the 200-day moving average for potential support.

Technology – Outperform 37.87%

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. Technicals continue to show signs of improving momentum, which is often a precursor to increasing relative strength.
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.
Valuation & Technicals: Valuations cooled again on an absolute basis, though the PEG ratio fell even further below its historical average, keeping valuations attractive. Our technical outlook has improved slightly as price found support at the 50-day moving average along with improving momentum.

Defensive

Consumer Staples – Market Perform 4.50%

Outlook: Defensive characteristics remain supportive and valuations have cooled from more elevated levels, but the sector lacks price momentum.
Fundamentals: Defensive characteristics and pricing power among leading brands continue to provide support. Shifting consumer behavior and slower volume growth may constrain upside.
Valuation & Technicals: Valuations eased modestly but remain above historical averages across most measures. Our technical outlook has weakened as price has simultaneously broken below the 50- and 200-day moving averages while also breaking out of its consolidation range to the downside.

Health Care – Market Perform 9.28%

Outlook: Attractive long-term growth drivers and improving sentiment for out-of-favor names are offset by overbought technicals, warranting caution.
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.
Valuation & Technicals: Valuations moved further above historical averages, though a notably lower PEG signals improving growth expectations. Our technical outlook remains supportive, but we believe caution is still warranted as the sector is reading as overbought and price momentum is fading.

Utilities – Underperform 1.98%

Outlook: A weaker technical backdrop and limited valuation support outweigh defensive characteristics, despite longer-term structural demand.
Fundamentals: Higher-for-longer rate expectations and higher costs limit near-term upside. Grid modernization, AI power demand, and electrification provide structural support. A prolonged decline in yields could position Utilities to outperform.
Valuation & Technicals: Valuations eased across the board as the sector is being pressured by higher interest rates. Our technical outlook has deteriorated even further as the sector continues to trend down while losing relative strength and momentum with limited price support.

Economy & Cycle

Economy

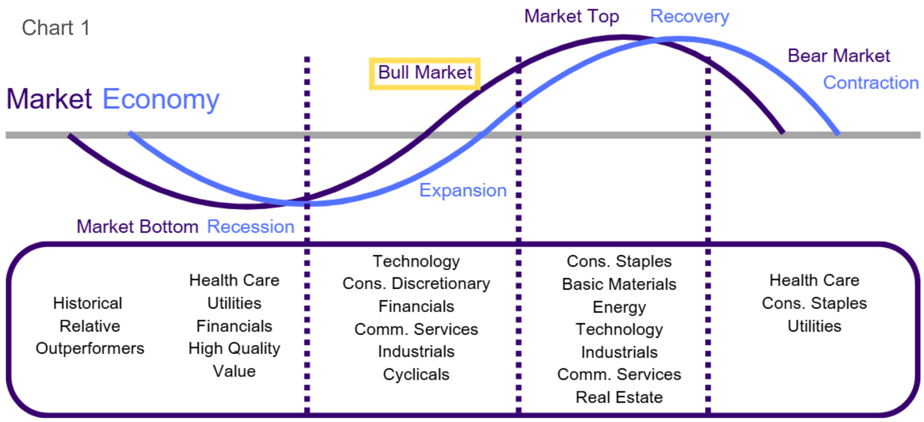
The U.S. economy has proven resilient through the first half of 2026, though growth is cooling, with second-quarter GDP decelerating to 1.5% from 2.1% in the first quarter as the Iran war and elevated energy prices continue to weigh on the economy. As of August, inflation has risen 3.4% year-over-year, 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.

Chart 1



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%
Cyclical	Cons. Discretionary	25.17	24.40	2.76	1.77	6.36	6.67	15.94	14.73	1.31	1.31	0.57%
Cyclical	Financials	15.22	13.75	3.39	2.41	2.28	1.50	N/A	N/A	1.17	1.23	1.46%
Cyclical	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%
Sensitive	Energy	14.07	15.59	1.64	1.10	2.35	1.77	7.73	7.00	1.46	2.22	2.46%
Sensitive	Industrials	23.58	17.89	2.74	1.67	6.22	4.01	17.95	12.46	1.46	1.28	1.06%
Sensitive	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%
Defensive	Health Care	18.99	15.29	1.61	1.48	4.88	3.52	16.74	12.86	1.81	1.49	1.50%
Defensive	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.

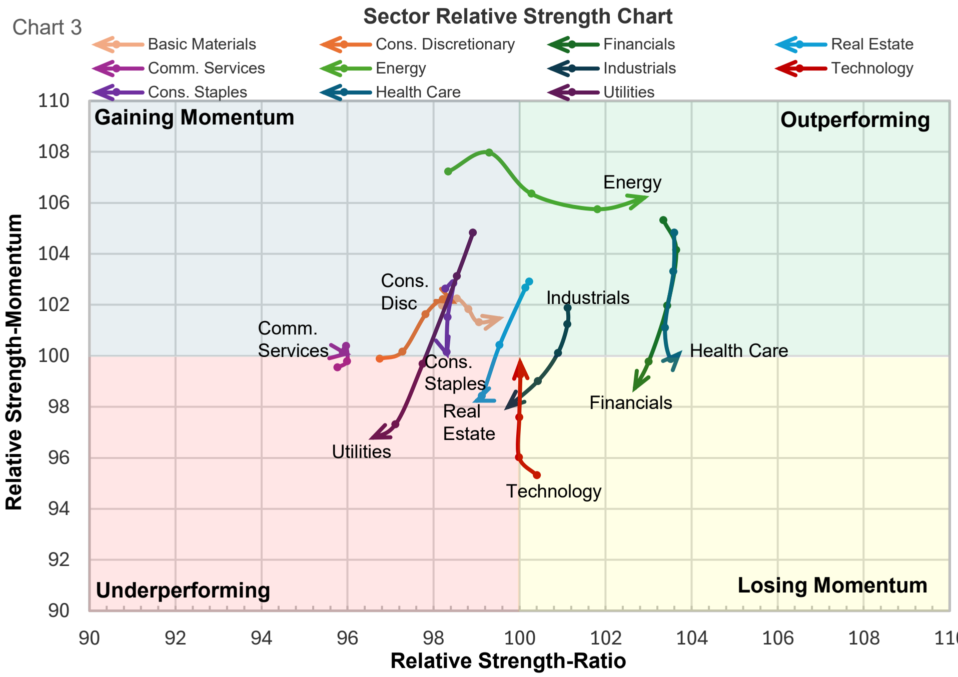
Sensitive Sectors *mixed*

- 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 3



Source: FactSet, Cetera Investment Management

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
Cyclical – Cons. Discretionary	1,920.67	1,901.27	1.02%	1.05%	0.20	0.00%	0.22%	Neutral	Neutral
Cyclical – Financials	958.36	939.92	1.96%	0.47%	0.32	6.31%	4.33%	Up	Neutral
Cyclical – 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
Sensitive – Energy	971.77	891.89	8.96%	0.47%	1.36	44.20%	3.25%	Up	Overbought
Sensitive – Industrials	1,479.83	1,537.87	-3.77%	0.87%	-0.76	13.56%	1.89%	Neutral	Neutral
Sensitive – 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
Defensive – Health Care	1,984.28	1,913.36	3.71%	0.84%	1.04	11.14%	5.07%	Up	Overbought
Defensive – Utilities	426.86	452.97	-5.76%	0.50%	-1.50	0.27%	-0.70%	Neutral	Oversold

Source: FactSet, Cetera Investment Management

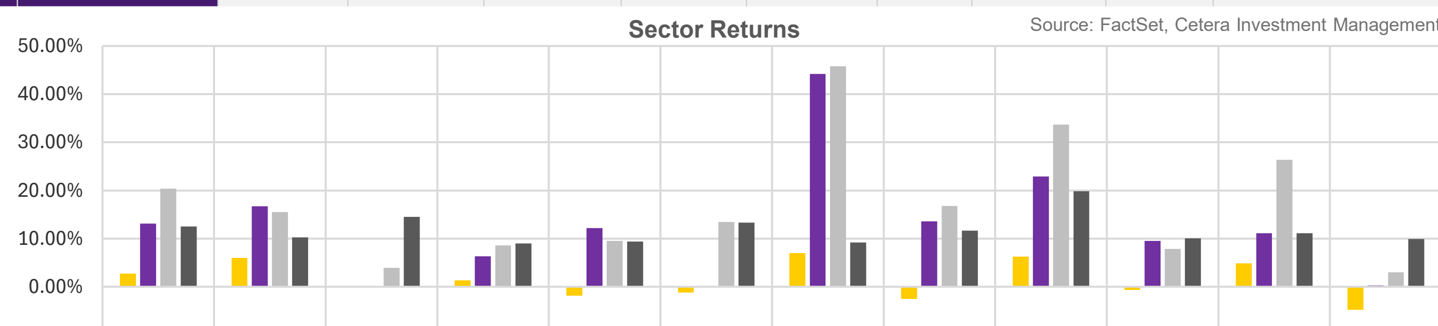


Chart 5	S&P 500	Basic Materials	Consumer Disc.	Financials	Real Estate	Comm. Services	Energy	Industrials	Technology	Consumer Staples	Health Care	Utilities
Month-Aug.	2.72%	5.97%	-0.04%	1.34%	-1.87%	-1.23%	7.02%	-2.56%	6.25%	-0.68%	4.89%	-4.77%
YTD	13.14%	16.69%	0.00%	6.31%	12.19%	0.14%	44.20%	13.56%	22.88%	9.55%	11.14%	0.27%
1-Year	20.38%	15.54%	3.94%	8.61%	9.52%	13.43%	45.78%	16.78%	33.65%	7.85%	26.34%	2.97%
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.

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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.