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Monthly Insights: March
Materials Sector

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Sector Price Action & Performance Review: Materials



Materials sector consolidation continued in February despite nominal outperformance

Headwinds to growth leadership and the emergence of tariff/trade war dynamics have halted upside momentum for US equities in the near-term

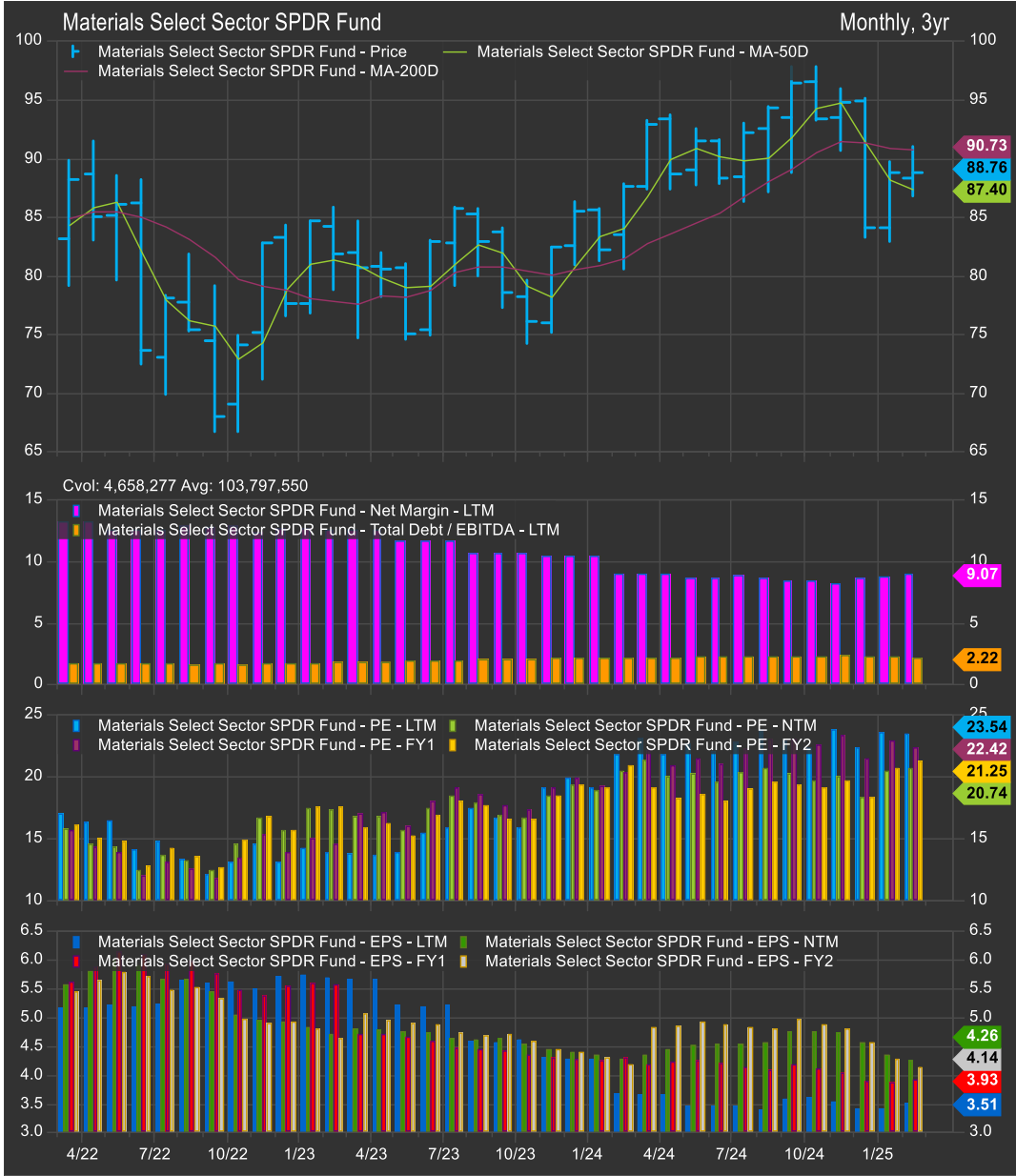
With consensus shifting from a bullish “soft landing” scenario to an economic picture with more uncertainty around inflation and employment, Materials stocks have a chance to continue outperforming in the near-term as forward expectations are muted for the sector and valuation has been materially discounted from 2022 levels

Performance relative to the S&P 500 has firmed in 2025 while oscillator work is neutral

Outlook: The Materials sector faces a mixed outlook for March 2025, with trade policy remaining the biggest wildcard as investors assess the impact of new tariffs on commodity input costs and demand. Interest rate uncertainty continues to weigh on highly leveraged materials firms, particularly those tied to construction and real estate, as Fed officials signal caution on inflation and limited near-term rate cuts.

We start March out of the Materials Sector with an **UNDERWEIGHT allocation to the Materials Sector of **-2.08%** in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

Fundamentals: Materials Sector

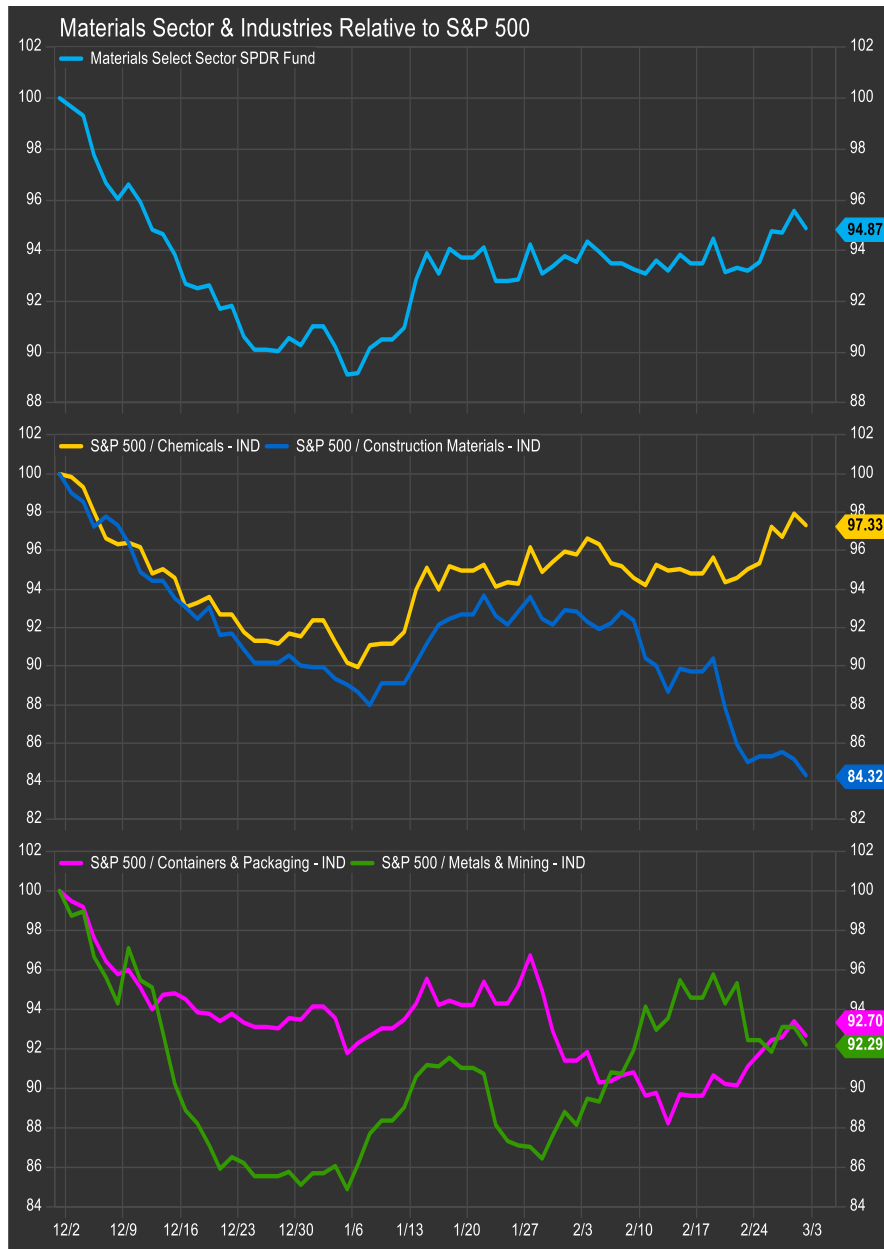


The chart (left) shows S&P 500 Materials Sector Margins, Debt/EBITDA, Valuation and Earnings

The second half of 2024 saw net margins contract for the sector while debt burden relative to EBITDA ticked higher (chart, panel 2)

Valuation (chart, panel 3) has become elevated in the near-term and in out years as earnings results have underwhelmed throughout 2023 and 2024 and guidance for the sector has been cut

Industry/Sub-Industry Performance and Breadth: Materials



Materials Industries (chart, left): Chemicals stocks perked up in February while Construction Materials continued to struggle

Metals & Mining stocks had a good month overall but ended on a sour note as investors continue to decide whether to view the AI thematic trade and its massive demand footprint as half-empty or half-full

Materials Sector Internals (chart, right): Stocks in the sector are having trouble sustaining price above intermediate and long-term trend proxies

With less than a quarter of Materials stocks above their 200-day moving average, the sector is exhibiting weakness that is hard to ignore

In late 2021 when the sector was setting up to outperform, higher commodities prices were a tailwind to the sector...that dynamic isn't as powerful or obvious at present

Top 10/Bottom 10 Stock Level Performers: Materials

Symbol	Name	CHART_PATTERN	MktVal Co	Relative Earnings Growth vs. BMK	Valuation Adjusted Earnings Growth	Volatility Adjusted Income	Momentum Score	1-Month Excess Return vs. BMK	3-Month Excess Return vs. BMK	6-Month Excess Return vs. BMK	Near-term OB/OS
NUE	Nucor Corporation	Downtrend	31,691.8	-0.51	-0.7	0.49	-16.8	10.4	-10.3	-13.6	
ECL	Ecolab Inc.	Bullish Reversal	76,129.0	0.09	0.1	0.57	4.5	9.5	9.3	1.1	
LIN	Linde plc	Bullish Reversal	220,873.4	0.83	0.7	0.85	-4.2	9.0	2.9	-7.8	
DD	DuPont de Nemours, Inc.	Consolidation	34,183.9	6.25	8.0	0.91	-2.5	8.9	-1.7	-7.2	
STLD	Steel Dynamics, Inc.	Consolidation	20,563.7	-0.42	-0.7	0.55	-0.7	8.1	-5.3	8.1	
EMN	Eastman Chemical Company	Consolidation	11,269.2	0.41	0.8	1.40	-4.3	7.3	-4.9	-7.8	
AMCR	Arcelor PLC	Consolidation	14,626.9	1.78	3.2	4.13	-5.4	6.2	-2.0	-13.9	
NEM	Newmont Corporation	Bullish Reversal	48,274.7	0.81	1.5	2.63	-2.7	5.3	2.3	-23.6	
FCX	Freeport-McMoRan, Inc.	Support	53,042.4	1.14	1.3	0.60	-16.8	4.7	-14.9	-22.5	
SHW	Sherwin-Williams Company	Consolidation	91,061.7	0.54	0.4	0.39	-6.6	1.2	-7.6	-6.8	

There aren't many (if any) stocks within the materials sector that have been able to sustain momentum for more than a 3-month period.

Chemicals stocks led in February, and we upgraded ECL and LIN as they have established bullish reversals based on our technical process

On the laggard side, fertilizers (another group that was improving back in 2021) got smoked in February

Symbol	Name	CHART_PATTERN	MktVal Co	Relative Earnings Growth vs. BMK	Valuation Adjusted Earnings Growth	Volatility Adjusted Income	Momentum Score	1-Month Excess Return vs. BMK	3-Month Excess Return vs. BMK	6-Month Excess Return vs. BMK	Near-term OB/OS
FMC	FMC Corporation	Downtrend	4,606.4	0.99	2.2	3.83	-42.9	-32.7	-36.8	-49.3	NT OVERSOLD
CE	Celanese Corporation	Downtrend	5,569.4	-5.45	-15.2	0.14	-55.5	-27.3	-29.7	-67.4	NT OVERSOLD
MOS	Mosaic Company	Basing	7,598.1	14.38	35.6	1.90	-19.9	-13.4	-5.9	-22.4	
MLM	Martin Marietta Materials, Inc.	Consolidation	29,459.0	-1.60	-1.5	0.33	-18.3	-9.1	-18.4	-13.0	
PKG	Packaging Corporation of America	Retracement	19,135.7	0.77	0.9	1.31	-4.6	-8.9	-12.9	-2.1	
ALB	Albemarle Corporation	Support	9,056.7	-3.55	#N/A	0.77	-28.8	-8.6	-28.0	-18.9	
VMC	Vulcan Materials Company	Consolidation	32,672.0	0.92	0.8	0.42	-10.5	-8.4	-13.2	-2.1	
CF	CF Industries Holdings, Inc.	Consolidation	13,735.9	-0.56	-0.9	1.70	-8.9	-7.9	-7.7	-7.0	
PPG	PPG Industries, Inc.	Support	25,695.7	1.24	2.0	1.24	-17.1	-5.7	-7.3	-17.5	
DOW	Dow, Inc.	Downtrend	26,823.0	0.80	1.0	4.37	-26.0	-4.6	-11.3	-32.6	

Metrics:

(Formulas are in the appendix at the end of the report)

Cap. Weighted Earnings Growth

Higher score preferred when Large/Mega Cap stocks outperforming

Valuation Adjusted Earnings Growth

Higher scores preferred absent high momentum

Volatility Adjusted Income

Higher score preferred when equities and yields are moving lower

Momentum

Long higher scores, short lower scores

Economic & Policy Drivers: Materials Sector

Trade Policy & Tariffs:

- Trump administration implementing 25% tariffs on Canadian and Mexican imports and an additional 10% tariff on Chinese goods, pressuring metals, chemicals, and construction materials.
- Copper prices surged over 3.5% on tariff news but later pulled back as market digested potential demand risks.

Inflation & Housing Market Weakness:

- January new home sales fell 10.5%, much worse than expected, while pending home sales declined 4.9%, hitting record lows.
- Weaker housing demand impacting construction materials and industrial metals stocks, despite ongoing infrastructure spending.

Manufacturing & Industrial Demand:

- ISM Manufacturing Index remains soft, struggling to show sustained expansion, which has weighed on chemical producers and metals stocks.
- Durable goods orders for January rose 3.1% m/m, beating expectations, but core capital-goods orders (excluding defense & aircraft) rose only 0.8%, suggesting uneven industrial demand.

Interest Rates & Borrowing Costs:

- Fed officials remain cautious, with Richmond Fed's Barkin and Cleveland Fed's Hammack both warning about sticky inflation and limited near-term rate cut prospects.
- Higher borrowing costs continue to pressure materials companies, particularly those exposed to real estate and construction.

Industry Level:

- Chemical and construction materials firms underperforming due to tariff-driven cost inflation and weaker housing demand.
- Select metals and mining stocks benefiting from AI-driven semiconductor demand, particularly for copper used in chip manufacturing.

Appendix: Metric Interpretation/Description (All Data Sourced From FactSet Research Systems Inc.)

Valuation Adjusted Earnings Growth

Higher scores with positive momentum preferred

Valuation Adjusted Earnings Growth (simple mean)

Relative Earnings Growth Multiple (vs. Benchmark)

Divided by

Rel. Valuation Multiple (vs. Benchmark)

Relative Earnings Growth Multiple:

Company Earnings Growth:

Consensus EPS Estimates for the next 4 Unreported Qtrs (FY1) /
Restated LTM Annual Earnings

Divided by

Benchmark Earnings Growth:

Benchmark consensus mean EPS NTM / Restated Annual Benchmark
EPS

Relative Valuation Multiple

Company NTM P/E / Index NTM P/E

Volatility Adjusted Income

Higher score preferred when equities and yields are moving
lower

Volatility Adjusted Income (simple mean)

Dividend Yield Multiple

Divided by

3yr Beta Vs. S&P 500

Dividend Yield Multiple

Stock Dividend Yield (Consensus NTM)

Divided by

S&P 500 Dividend Yield (Consensus NTM)

Appendix: Metric Interpretation/Descriptions

Cap. Weighted Earnings Growth

Higher score preferred when Large/Mega Cap stocks outperforming

Cap. Weighted Earnings Growth

Consensus EPS Estimates for the next 4 Unreported Qtrs (FY1) / Restated LTM Annual Earnings * weight of each company in the universe 1-n

Momentum

Long higher scores, short lower scores

Momentum (simple mean)

1-Month Excess Total Return (vs. S&P 500) * 0.1

Plus

3-Month Excess Total Return (vs. S&P 500) * 0.3

Plus

6-Month Excess Total Return (vs. S&P 500) * 0.4

Plus

12-month Excess Total Return (vs. S&P 500) * 0.2

Metric Interpretation/Descriptions

Price Structure

We categorize stock chart patterns into 7 categories

Uptrend—Stock exhibits sustained outperformance

Bullish Reversal—Stock has outperformed over the past 3-6 months by > 10% vs. benchmark

Consolidation—Sideways price action, generally a bearish pattern in a bull market

Retracement—A sharp move lower in a previously strong chart

Distributional—A topping pattern

Downtrend—Sustained underperformance, lagging the benchmark by >15% per year

Support—Price has reached a level where major bottom formations or basing has occurred in the past

Basing—A protracted consolidation at long-term support

Deviation from Trend

Intermediate-term: Price % Above/Below 200-day moving average

Near-term: Price % Above/Below 50-day moving average

Overbought/Oversold (We want to sell overbought charts with declining momentum)

Overbought = Stock price > 25% above 200-day m.a.

Oversold = Stock price > 20% below 200-day m.a.

Near-term Overbought/Oversold (Signals depend on trend context)

Overbought = Stock price > 15% above 50-day m.a.

Oversold = Stock price > 15% below 50-day m.a.