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Monthly Insights: March Outlook

S&P 500

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Sector Price Action & Performance Review: S&P 500

S&P 500 — Daily
50-day & 200-day Moving Averages
with MACD (12,26,9) & RSI (14)

Chart levels: 6,092.12 / 5,998.63 / 5,954.50 / 5,783.44 / 5,720.09

MACD: 5.62 / -17.75 / -23.37

RSI: 44.30

The S&P 500 finished February on a pullback nearing our 5783 level which has functioned as support during the current multi-month consolidation.

Oscillator work is near-term oversold, but the more significant development is the longer-term negative momentum divergence (the oscillators make sequentially lower highs as the S&P 500 price makes sequentially higher highs) that has formed since July 2024 on both the RSI and MACD studies.

Low volatility sectors outperformed the S&P 500 as a cohort in February. Information Technology and Consumer Discretionary Sectors lagged, the latter now registering as deeply oversold in our work.

At a high level, performance drivers included NVDA ending the month with a strong quarter, but short of the kind of blow out that has fueled the AI momentum trade heretofore. Policy commentary on tariffs has sent commodities prices higher and interest rates lower which gives the macro picture a hint of the recessionary.
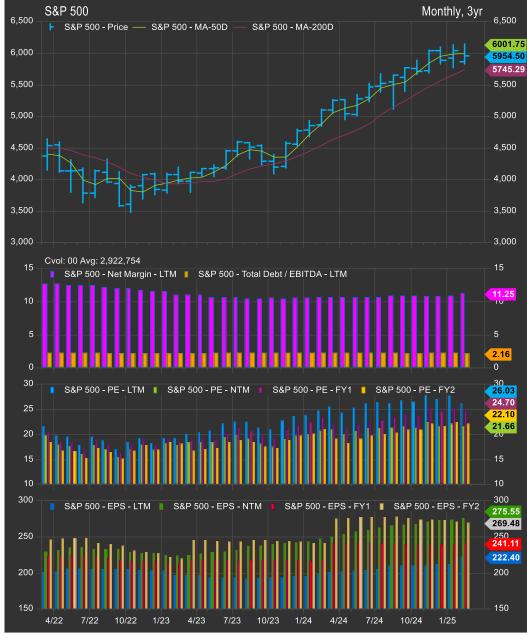
In the recent past we've seen lower rates spur buying in Growth shares and the homebuilding complex. Near-term we're seeing rotation into safety plays this time around.

Our Elev8 Sector Rotation Model Portfolio starts March with the following sector allocations:

Elev8 Model Positions: March 2025

	BMK Weight	Elev8 Model	+/-
VNQ	2.45%	8.59%	6.13%
XLC	9.11%	14.41%	5.30%
XLU	2.74%	8.00%	5.26%
XLF	13.26%	18.42%	5.16%
XLE	3.52%	7.33%	3.81%
XLP	6.05%	8.43%	2.38%
XLY	9.70%	10.88%	1.19%
XLB	2.08%	0.00%	-2.08%
VGT	31.11%	23.94%	-7.17%
XLI	7.66%	0.00%	-7.66%
XLV	12.32%	0.00%	-12.32%

Fundamentals: S&P 500

S&P 500 — Monthly, 3yr

S&P 500 - Price | S&P 500 - MA-50D | S&P 500 - MA-200D

6001.75
5954.50
5745.29

Cvol: 00 Avg: 2,922,754

S&P 500 - Net Margin - LTM | S&P 500 - Total Debt / EBITDA - LTM

11.25
2.16

S&P 500 - PE - LTM | S&P 500 - PE - NTM | S&P 500 - PE - FY1 | S&P 500 - PE - FY2

26.03
24.70
22.10
21.66

S&P 500 - EPS - LTM | S&P 500 - EPS - NTM | S&P 500 - EPS - FY1 | S&P 500 - EPS - FY2
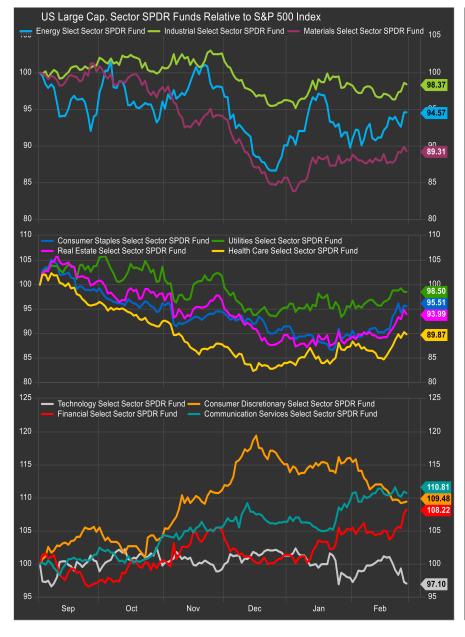
275.55
269.48
241.11
222.40

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

The big story on the chart is elevated valuations in the near-term with double-digit growth projected over the next 4 quarters, the bar for earnings is set high and the good news is likely priced in to a large extent. This sets up elevated potential for downside surprise.

We think the continued bull case requires interest rates to move lower over the intermediate-term while employment remains strong. This is a tough needle to thread, so our accompanying expectation is that this year will have more persistent volatility than 2023-2024.

The second thing we are looking for is an emerging leadership theme. International equity performance has perked up in the near-term. Historically, that generally means US equities are moving to a bearish posture. What domestic themes can fill the void if AI infrastructure companies are finally being sold?

Industry/Sub-Industry Performance and Breadth: S&P 500

US Large Cap. Sector SPDR Funds Relative to S&P 500 Index

Energy Slect Sector SPDR Fund — Industrial Select Sector SPDR Fund — Materials Select Sector SPDR Fund

98.37
94.57
89.31

Consumer Staples Select Sector SPDR Fund — Utilities Select Sector SPDR Fund
Real Estate Select Sector SPDR Fund — Health Care Select Sector SPDR Fund

98.50
95.51
93.99
89.87

Technology Select Sector SPDR Fund — Consumer Discretionary Select Sector SPDR Fund
Financial Select Sector SPDR Fund — Communication Services Select Sector SPDR Fund

110.81
109.48
108.22
97.10

Market Internals   Daily, 6M

S&P 500 - Price — S&P 500 - MA-50D — S&P 500 - MA-200D

6001.75
5954.50
5745.29

% of Stocks Above 200-day Moving Average — % of Stocks Above 50-day Moving Average

57.46
53.68

Advancers Decliners

87.08
-12.72

S&P 500 Sectors (chart, left): Defensive sectors (top panel) firmed up as a group in February with charts on the cusp of meaningful bullish reversal while commodities related sectors held their ground

Financial and Comm. Services stocks continue to lead over the short and intermediate-term while Information Technology and Discretionary shares have pulled back with economic uncertainty taking a front seat in investor's minds

S&P 500 Internals (chart, right): Market internal trends remain steady but unspectacular as barely more than 50% of stocks are managing to trade above their 50 and 200-day moving averages...we can see prior to the first bout of corrective action in December that these internal gages had spent much of the bull cycle in the 70-80% range...the uptrend is vulnerable here

Top 10/Bottom 10 Stock Level Performers: S&P 500

Symbol	Name	GICS Sector Name	CHART_PATTERN	MktVal Co	Relative Earnings Growth vs. BI	Valuation Adjusted Earnings Grow	Volatility Adjusted Income	Momentum Score	Distance from 200 Day EMA	1-Month Excess Return vs. BI	3-Month Excess Return vs. BI	6-Month Excess Return vs. BI	Near-term OB/OS
SMCI	Super Micro Computer, Inc.	Information Technology	Bullish Reversal	24,605.7	1.53	2.9		-5.8	5.9	46.7	28.0	-11.4	
INTC	Intel Corporation	Information Technology	Downtrend	102,750.9	-4.67	-2.9	0.17	-9.7	8.4	23.4	-0.4	1.6	
YUM	Yum! Brands, Inc.	Consumer Discretionary	Bullish Reversal	43,643.2	0.64	0.6	1.52	10.6	12.6	21.7	14.6	10.9	NT OVERBOUGHT
PM	Philip Morris International Inc.	Consumer Staples	Bullish Reversal	241,438.2	2.37	2.6	3.87	29.6	14.5	20.6	19.0	22.7	NT OVERBOUGHT
GILD	Gilead Sciences, Inc.	Health Care	Bullish Reversal	142,460.6	82.59	135.7	3.49	35.4	17.3	18.9	25.5	41.2	NT OVERBOUGHT
TPR	Tapestry, Inc.	Consumer Discretionary	Bullish Reversal	17,683.3	1.69	2.4	0.54	69.4	18.2	18.4	38.9	105.4	
HSY	Hershey Company	Consumer Staples	Consolidation	25,526.0	-1.82	-1.5	13.58	-8.8	3.9	18.0	-0.1	-15.1	
CVS	CVS Health Corporation	Health Care	Bullish Reversal	82,859.5	2.58	5.6	3.89	5.1	15.4	17.7	12.1	11.5	NT OVERBOUGHT
TMUS	T-Mobile US, Inc.	Communication Services	Uptrend	307,917.2	0.43	0.4	1.37	27.1	12.7	17.4	10.5	30.5	NT OVERBOUGHT
EXPE	Expedia Group, Inc.	Consumer Discretionary	Bullish Reversal	24,415.1	2.53	4.4	0.13	24.1	7.1	17.1	8.2	36.2	

The leaderboard for February shows rotation into non-MAG7 names with beneficiaries spread between recent winners and losers

Down and out names like CVS, INTC and HSY posted big gains, the former triggering an upgrade in our stock level work

Among the largest decliners we feel names with high long-term momentum like VST and TSLA offer the best chance to be accumulated while the rest of the list is the weak getting weaker

Symbol	Name	GICS Sector Name	CHART_PATTERN	MktVal Co	Relative Earnings Growth vs. BI	Valuation Adjusted Earnings Grow	Volatility Adjusted Income	Momentum Score	Distance from 200 Day EMA	1-Month Excess Return vs. BI	3-Month Excess Return vs. BI	6-Month Excess Return vs. BI	Near-term OB/OS
FMC	FMC Corporation	Materials	Downtrend	4,606.4	1.09	2.4	3.83	-43.2	-22.7	-32.5	-35.8	-47.8	NT OVERSOLD
WST	West Pharmaceutical Services, Inc.	Health Care	Downtrend	16,799.1	-0.37	-0.2	0.15	-34.6	-20.9	-30.6	-27.6	-31.9	NT OVERSOLD
CE	Celanese Corporation	Materials	Downtrend	5,569.4	-5.90	-16.5	0.14	-55.0	-29.0	-26.9	-29.4	-66.9	NT OVERSOLD
TSLA	Tesla, Inc.	Consumer Discretionary	Support	942,375.2	1.77	0.4	0.00	10.8	-18.1	-26.3	-14.1	30.7	NT OVERSOLD
TFX	Teleflex Incorporated	Health Care	Downtrend	6,165.4	36.33	93.2	0.55	-43.8	-26.3	-25.0	-30.2	-51.9	NT OVERSOLD
SWKS	Skyworks Solutions, Inc.	Information Technology	Downtrend	10,715.0	1.30	2.1	1.79	-36.9	-18.0	-22.8	-21.5	-44.1	NT OVERSOLD
MRNA	Moderna, Inc.	Health Care	Downtrend	11,944.9	0.29		0.00	-53.6	-22.2	-20.2	-27.1	-66.1	NT OVERSOLD
DECK	Deckers Outdoor Corporation	Consumer Discretionary	Support	21,151.2	0.91	1.0	0.00	-22.9	-21.4	-20.1	-27.9	-18.9	NT OVERSOLD
VST	Vistra Corp.	Utilities	Consolidation	45,474.6	-0.35	-0.4	0.32	39.9	-12.8	-19.1	-15.3	50.9	NT OVERSOLD
NCLH	Norwegian Cruise Line Holdings Ltd.	Consumer Discretionary	Basing	9,995.5	0.80	1.8	0.00	2.2	-11.4	-18.6	-14.5	20.9	NT OVERSOLD

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: S&P 500

Federal Reserve Policy & Interest Rates:
- The Fed signaled a cautious stance on rate cuts, citing sticky inflation and the risk of higher tariffs reigniting price pressures.
- January's Core PCE inflation came in at +2.6% y/y, slightly lower than December's +2.8%, but still above the Fed's 2% target.
- Treasury yields saw a sharp decline early in the month (10Y yield below 4.30%) before rebounding, ending February around 4.3%-4.4%.
- High-growth sectors (tech, consumer discretionary) were pressured by shifting rate expectations, while financials and industrials saw some support.

Trade & Tariff Uncertainty:
- Trump administration confirmed a 10% additional tariff on Chinese imports starting March 4, with Canada and Mexico facing 25% tariffs the same day.
- Sectors with global supply chains (industrials, semiconductors, autos) saw renewed volatility as companies assessed potential cost impacts.
- Energy infrastructure, metals, and renewable projects were flagged as areas that could see cost increases due to tariffs on materials and equipment.

Technology Sector Weakness & AI-Driven Volatility:
- The Nasdaq saw its worst six-day stretch of the year, as high-valuation tech names faced pressure from rising yields and weak earnings reactions.
- Nvidia (NVDA) posted strong earnings and upbeat AI demand commentary but saw its stock decline on weaker-than-expected gross margin guidance (71%).
- Apple (AAPL) and Tesla (TSLA) underperformed amid weak China sales, while Meta (META) struggled with regulatory uncertainty and ad market softness.
- AI spending narratives remained a bright spot, with Microsoft (MSFT), Google (GOOGL), and semiconductor firms continuing to tout long-term growth.

Consumer Spending & Housing Market Trends:
- January new home sales fell 10.5%, worse than expected, highlighting affordability pressures despite recent mortgage rate stabilization.
- Retail earnings pointed to mixed consumer strength, with discount retailers (TJX, WMT) outperforming while higher-end discretionary names struggled.
- Core durable goods orders showed resilience, up 0.8% m/m in January, though housing-related spending softened.
- Upcoming tariff-related cost increases could add further pressure to the housing market and broader consumer sentiment in March.

Earnings Season Wrap-Up & Sector Performance Divergence:
- Q4 earnings season largely delivered in-line results, though guidance was mixed, with several companies citing tariff-related uncertainty.
- Energy stocks benefited from resilient refining margins and stable oil prices (~$70/barrel for WTI), helping ExxonMobil (XOM) and Chevron (CVX) outperform.
- Financials saw support from rising loan demand and healthy credit markets, with banks like JPMorgan (JPM) and Bank of America (BAC) maintaining strong profitability.
- Industrials and materials firms with exposure to infrastructure spending and reshoring efforts held up relatively well.

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.