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Monthly Insights: April Outlook

Industrial Sector

Patrick Torbert, CMT

Editor & Chief Strategist

Sector Price Action & Performance Review: Industrial Sector



Industrial sector consolidation continued in March. The longer this type of pattern drifts sideways, typically the more bearish the implication. Price enters April below horizontal support at the \$130 level and below the 200-day moving average.

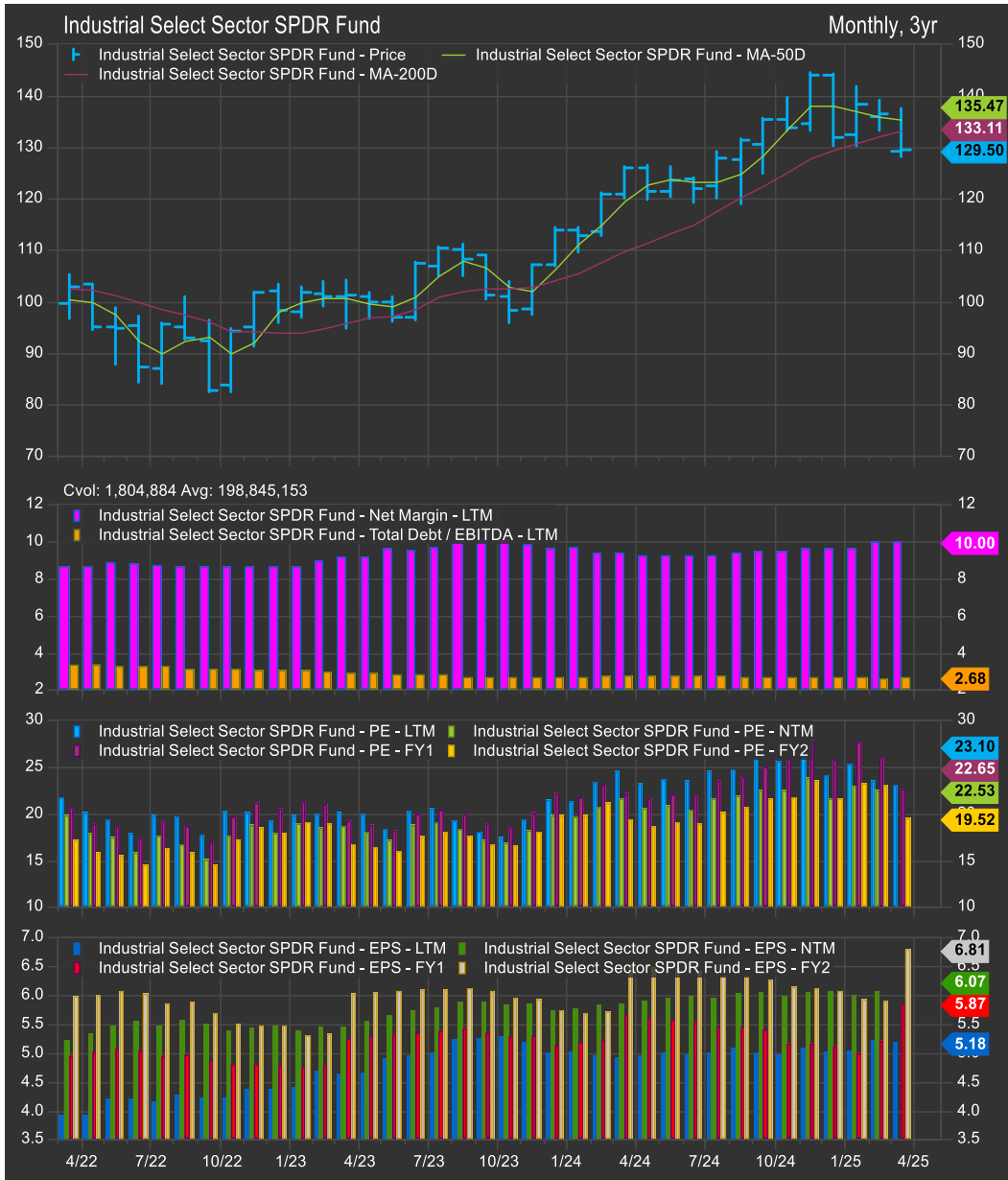
While industrial stocks have managed to outperform YTD, the overall trends remain weak and the price action and internal strength within the sector are deteriorating. Given rising input prices and cost pressures we think the longer-term underperformance trend is likely to resume for the sector.

Many leadership groups from 2023 and 2024 including Building Products, Construction & Engineering, Electrical and Machinery Industries are seeing broad price corrections. Themes like “onshoring” and housing have lost momentum, with the latter arrested by persistently high interest rates. Industrial services and Aero/Defense names have picked up some of the slack from other industries, but the majority of the cap. in the sector is in industries that are currently underperforming.

With leading manufacturing indicators and new orders softening, we are taking a bearish view on the sector for April.

We start April out of the Industrial Sector with an **UNDERWEIGHT allocation to the Industrial Sector of **-8.44%** in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

Fundamentals: Industrial Sector



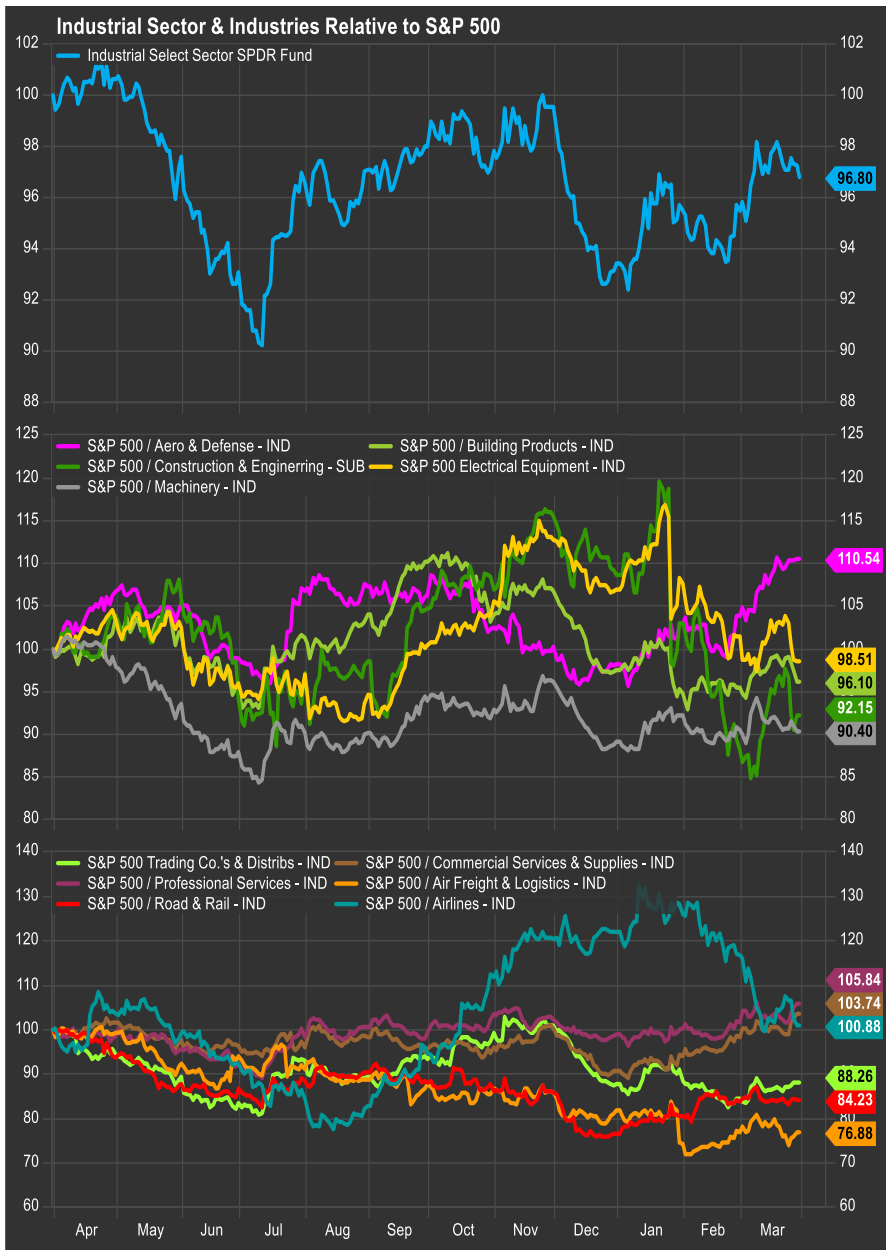
The chart (left) shows S&P 500 Industrial Sector Margins, Debt/EBITDA, Valuation and Earnings

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

Consensus forward earnings projections got a boost through Q1 earnings guidance and offer some hope for the sector, however given elevated valuation in the near-term and a choppy macro environment, there isn't a smooth road ahead

Industry/Sub-Industry Performance and Breadth: Industrial Sector



Industrial Industries (chart, left): Commercial and professional services are ticking higher along with Aero/Defense names... Road and Rail stocks are getting a laggard bid, but remain in a challenged long-term performance trend

Trading Co's have been a new entrant on the improving list, unfortunately those stocks are typically outperforming when supply chain issues are prevalent

Airlines continue to retrace late 2024 gains while bull market leading stocks have been sold hard in 2025

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

After a promising bounce in January, Industrials stocks have shown no follow-through though they have plenty of company in exhibiting weakness

Top 10/Bottom 10 Stock Level Performers: Industrial Sector

Symbol	Name	CHART_PATTERN	MktVal Co	Valuation Multiple Rel to Index	Momentum Score	Div Yld Multiple rel to Index	1-Month Excess Return vs. BMK	Near-term OB/OS
HII	Huntington Ingalls Industries, Inc.	Consolidation	8,055.8	0.57	-7.8	1.4	23.1	NT OVERBOUGHT
NOC	Northrop Grumman Corp.	Bullish Reversal	74,142.4	0.73	6.7	1.1	17.6	
LUV	Southwest Airlines Co.	Bullish Reversal	19,907.5	0.67	12.0	1.5	15.0	
GD	General Dynamics Corporation	Consolidation	72,746.0	0.71	-1.4	1.4	12.7	
LDOS	Leidos Holdings, Inc.	Retracement	17,188.4	0.49	-5.5	0.8	9.6	
OTIS	Otis Worldwide Corporation	Consolidation	40,488.5	0.98	5.2	1.1	8.5	
EXPD	Expeditors International of Washington, Inc.	Consolidation	16,493.6	0.87	1.5	0.9	8.2	
LHX	L3Harris Technologies Inc	Consolidation	38,998.1	0.75	-2.9	1.6	7.5	
ROL	Rollins, Inc.	Bullish Reversal	25,738.1	1.89	12.1	0.8	7.4	
AXON	Axon Enterprise Inc	Uptrend	40,989.6	3.36	26.5	0.0	7.4	NT OVERSOLD
TDG	TransDigm Group Incorporated	Bullish Reversal	77,239.7	1.38	8.9	0.0	6.9	

Cyclicality and bull market leadership continues to make up the bottom 10 list while Defense contractors and previous laggards have outperformed in March

Commercial and Professional Services typically act as ballast for the sector when equities are under pressure as they are now, but there are several industries that remain under pressure including Airlines, Building Products and Machinery as well as previous bull market leaders like Electrical and Construction and Engineering Industries

Metrics:

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

Valuation Multiple Relative to Index

Premium (or discount) to benchmark valuation

Momentum

Long higher scores, short lower scores

Dividend Yield Relative to Index

Higher scores preferred when rates and equities are moving lower

Near-term Overbought/Oversold

Price is >10% away from the 50-day moving average Above/Below

GREEN|RED

Company scores positively|negatively for Elev8 Sector Rotation Model for April

Symbol	Name	CHART_PATTERN	MktVal Co	Valuation Multiple Rel to Index	Momentum Score	Div Yld Multiple rel to Index	1-Month Excess Return vs. BMK	Near-term OB/OS
DAL	Delta Air Lines, Inc.	Support	28,319.0	0.24	-16.7	0.8	-20.9	NT OVERSOLD
UAL	United Airlines Holdings, Inc.	Retracement	22,989.1	0.22	8.2	0.0	-19.0	NT OVERSOLD
CMI	Cummins Inc.	Consolidation	43,171.8	0.55	-2.1	1.6	-8.5	NT OVERSOLD
DOV	Dover Corporation	Consolidation	23,937.9	0.73	-5.2	0.8	-6.0	NT OVERSOLD
SWK	Stanley Black & Decker, Inc.	Support	11,811.3	0.57	-15.9	2.8	-4.6	NT OVERSOLD
EMR	Emerson Electric Co.	Retracement	61,262.1	0.71	-3.6	1.3	-4.5	NT OVERSOLD
HUBB	Hubbell Incorporated	Retracement	17,786.9	0.75	-18.3	1.1	-4.5	NT OVERSOLD
BLDR	Builders FirstSource, Inc.	Retracement	14,147.0	0.50	-25.9	0.0	-4.3	NT OVERSOLD
PH	Parker-Hannifin Corporation	Consolidation	77,443.0	0.84	-1.1	0.7	-3.9	
ROK	Rockwell Automation, Inc.	Support	29,244.1	1.02	-5.7	1.3	-3.8	
AME	AMETEK, Inc.	Consolidation	39,317.0	0.94	-2.6	0.5	-3.7	

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Economic & Policy Drivers: Industrial Sector

1. Trade Policy, Tariffs & Supply Chain Concerns

The **dominant theme** for industrials in March was the ramp in **trade policy risk**:

President Trump's **auto tariff announcement (25% on non-U.S. made cars/parts)** and upcoming **April 2 reciprocal tariff plan** triggered widespread concern.

Reports highlighted the risk of **extended uncertainty** and **targeted tariffs on industrial metals, equipment, and components** critical to industrial supply chains.

UPS, GM, and Boeing were among companies flagged as potentially exposed.

Some companies and countries sought exemptions or concessions:

Canada and Mexico held bilateral talks with U.S. officials to ease the blow from auto-related tariffs.

The **EU was reportedly preparing trade concessions**, including regulatory harmonization and tariff relief.

2. Business Investment & Manufacturing Activity

March brought a **mixed bag of hard and soft data** for manufacturing:

February durable goods orders beat headline expectations (+0.9% m/m), but **core capital goods orders (ex-aircraft/defense) unexpectedly fell -0.3%**, a sign of **softening business investment**.

S&P Global Manufacturing PMI fell back into contraction territory at **49.8**, with orders slowing and input costs rising sharply.

The **Richmond Fed Manufacturing Index** dropped into negative territory (-4), reflecting weaker shipments and orders.

JOLTS job openings in manufacturing also showed signs of cooling.

3. Aerospace, Defense & Infrastructure Policy

The **defense & aerospace segment** of the sector saw increased attention:

Boeing (BA) received a high-profile contract win, reportedly selected by President

3/31/2025

Trump for a **\$20B+ next-generation fighter jet program**, beating **Lockheed Martin**.

The **DoD's budget priorities were seen shifting** toward modernization, benefitting BA, NOC, and LHX.

However, **BA also faced scrutiny** as the DOJ reopened its criminal case related to the 737 Max crashes, creating overhang.

Infrastructure-adjacent names benefited from commentary on **renewed spending**:

A handful of **industrial construction and equipment firms** reported stable to improving order books, particularly in transportation and utilities-related buildouts.

Argan (AGX) posted a strong beat and cited a robust pipeline of power infrastructure work.

4. Freight, Logistics & Labor Market Trends

The **freight and parcel delivery segment** had a volatile month:

FedEx (FDX) lowered its FY guidance more than expected, citing a weak U.S. industrial economy and challenging macro conditions, despite decent volume gains in Ground.

UPS warned of soft volumes in February and March, cutting Q1 estimates due to weather and trade-driven demand softness.

Labor data was a mixed bag:

Initial jobless claims remained low, but the **labor market differential** in consumer sentiment data narrowed, signaling growing hiring hesitancy.

Car and air freight indicators slowed, and Bloomberg reported rising **Nasdaq short interest** in trucking and logistics.

Appendix: Metric Interpretation/Descriptions

Valuation Multiple Relative to Index

Higher scores correspond to more expensive earnings than the index, lower scores are cheaper

Valuation Multiple Relative to Index

(Company Price/NTM EPS)/ (Index Price/NTM EPS)

Dividend Yield Relative to Index

Higher scores correspond to higher company dividend yield relative to the S&P 500 Index dividend Yield

Dividend Yield Relative to Index

Company FY1 Rolling Dividend Yield / Index FY1 Rolling Dividend Yield

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.