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Monthly Insights: April Outlook

# Consumer Staples Sector

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# Sector Price Action & Performance Review: Consumer Staples Sector



The Staples sector has benefitted from the equity market correction as performance nears 52-week highs vs. the S&P 500.

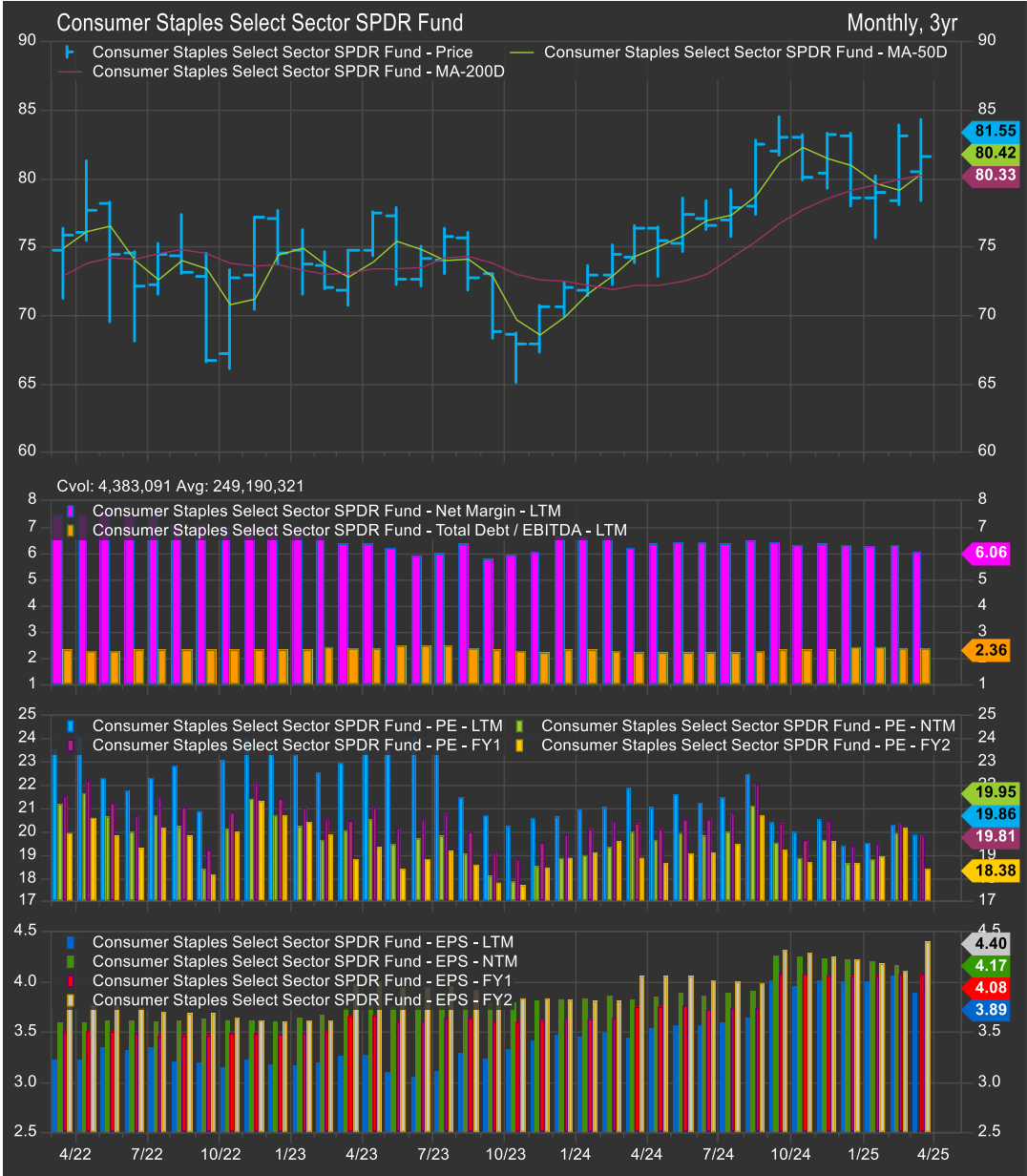
In contrast to the beginning of March, oscillator studies are in a neutral position and we expect continued outperformance near-term based on the technical setup for the sector (improving) and for equities broadly (deteriorating).

Economic and earnings data has skewed somewhat to the softer side to start 2025 while tariff policy has kept rates from moving lower in concert. This has put near-term pressure on the consumer and has reignited fears of recession after equities spent the back half of 2024 pricing in a soft landing and a bullish expectation for the incoming Trump administration.

3-months into the new regime, equities are on the brink of a nasty looking trade war and investors are losing their patience. We think this setup will continue to benefit staples in April.

We start April out of the Consumer Staples Sector with an **OVERWEIGHT** allocation to the Consumer Staples Sector of **5.13%** in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

# Fundamentals: Consumer Staples Sector



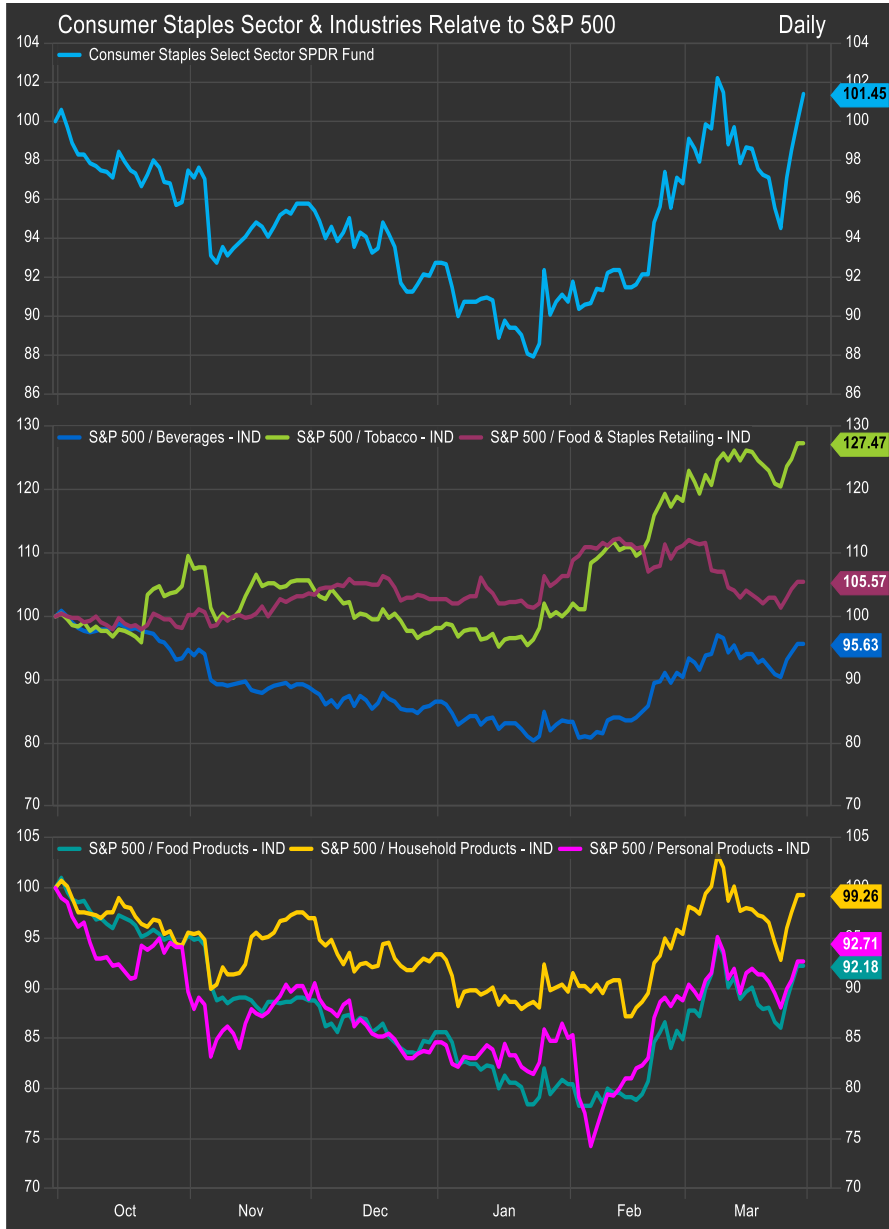
The chart (left) shows S&P 500 Consumer Staples Sector Margins, Debt/EBITDA, Valuation and Earnings

Margins ticked lower through the recent earnings season (chart, panel 2)

Valuation (chart, panel 3) contracted throughout 2024 leaving the sector well setup for the current defensive rotation.

The fundamental picture is solid with the potential for tailwinds if equities have a deeper correction

# Industry/Sub-Industry Performance and Breadth: Consumer Staples Sector



**Consumer Staples Industries** (chart, left): March ended with similar dynamics to February with the Staples sector seeing inflows across all industries.

Laggards in Food and Beverage Industries and leading stocks in Retailing & Distribution and Tobacco alike all firmed after a mid-month pullback

**Consumer Staples Sector Internals** (chart, right): % of stocks above their 50-day moving average, a proxy for trend strength is among the highest readings across the 11 sectors...and close to new highs over the past 6-months

Daily Advancing stocks have given a bullish capitulation signal for the sector, though that is likely a bearish tell for equities entering April

# Top 10/Bottom 10 Stock Level Performers: Consumer Staples 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
DG	Dollar General Corporation	Consolidation	18,937.4	0.62	-1.0	1.8	22.2	NT OVERBOUGHT
HRL	Hormel Foods Corporation	Consolidation	16,695.3	0.73	-1.7	2.5	12.2	
MO	Altria Group, Inc.	Bullish Reversal	98,312.0	0.44	22.4	4.7	12.2	NT OVERBOUGHT
MNST	Monster Beverage Corporation	Bullish Reversal	56,307.0	1.25	9.0	0.0	12.0	
MDLZ	Mondelez International, Inc. Class A	Bullish Reversal	87,597.5	0.92	3.1	1.9	11.6	NT OVERBOUGHT
SJM	J.M. Smucker Company	Consolidation	12,378.4	0.46	2.6	2.4	11.4	NT OVERBOUGHT
WBA	Walgreens Boots Alliance, Inc.	Bullish Reversal	9,676.4	0.29	9.0	4.9	10.9	
STZ	Constellation Brands, Inc. Class A	Consolidation	33,202.7	0.52	-20.3	1.4	10.9	NT OVERBOUGHT
BF.B	Brown-Forman Corporation Class B	Downtrend	16,145.8	0.75	-18.6	1.7	10.8	
LW	Lamb Weston Holdings, Inc.	Downtrend	7,704.0	0.63	-20.4	1.8	10.3	NT OVERBOUGHT
CAG	Conagra Brands, Inc.	Downtrend	12,672.9	0.44	-6.3	3.5	10.1	
BG	Bunge Global SA	Downtrend	10,239.2	0.38	-11.1	2.4	9.2	NT OVERBOUGHT
KR	Kroger Co.	Bullish Reversal	48,279.0	0.56	15.9	1.3	9.1	
CL	Colgate-Palmolive Company	Consolidation	75,284.8	0.99	-0.3	1.5	8.0	NT OVERBOUGHT
TSN	Tyson Foods, Inc. Class A	Bullish Reversal	17,849.4	0.65	8.9	2.1	7.8	
ADM	Archer-Daniels-Midland Company	Downtrend	22,985.1	0.45	-11.0	2.9	7.6	NT OVERBOUGHT

As we've observed in other legacy defensive sectors, investors continue to buy safety with even the lowliest like DG and HRL attracting near-term bids

As we see from the bottom performers list, only 5 stocks in the sector underperformed out of 38 constituents

We do think this very obvious rotation to safety could eventually get overdone, but for the present the path of least resistance for equities remains lower

## 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
TGT	Target Corporation	Support	47,220.5	0.45	-27.4	2.8	-10.4	NT OVERSOLD
WMT	Walmart Inc.	Retracement	682,634.8	1.28	9.9	0.7	-7.2	NT OVERSOLD
COST	Costco Wholesale Corporation	Uptrend	412,474.7	1.96	8.0	0.3	-5.2	NT OVERSOLD
EL	Estee Lauder Companies Inc. Class A	Consolidation	15,319.6	1.26	-27.5	1.7	-2.9	
CLX	Clorox Company	Consolidation	18,020.2	0.82	-5.6	2.2	-0.3	NT OVERSOLD
PG	Procter & Gamble Company	Consolidation	394,005.4	0.94	1.8	1.6	2.8	
GIS	General Mills, Inc.	Downtrend	32,368.7	0.58	-10.5	2.7	3.7	NT OVERSOLD
SY	Sysco Corporation	Consolidation	36,251.9	0.62	-1.9	1.8	4.3	
PEP	PepsiCo, Inc.	Consolidation	204,723.8	0.72	-5.5	2.5	4.3	NT OVERSOLD
CHD	Church & Dwight Co., Inc.	Consolidation	26,853.1	1.17	5.8	0.7	4.3	
HSY	Hershey Company	Consolidation	25,130.7	1.09	-4.7	2.2	4.5	NT OVERSOLD
MKC	McCormick & Company, Incorporated	Bullish Reversal	21,843.6	1.05	4.8	1.5	4.8	
TAP	Molson Coors Beverage Company Class A	Bullish Reversal	11,662.1	0.38	5.1	2.0	4.9	NT OVERSOLD

# Economic & Policy Drivers: Consumer Staples Sector

## 1. Consumer Spending, Sentiment & Inflation

**February core PCE inflation** came in hotter than expected at **+0.4% m/m**, with **headline PCE up 0.3%**, suggesting **sticky price pressures** remain.

**March's final University of Michigan Consumer Sentiment** reading showed **rising 1-year (5.0%) and 5-year (4.1%) inflation expectations**, the highest in years.

While **February personal income and spending** both beat expectations, consumer surveys suggested growing concern around affordability and future financial conditions.

Staples retailers reported **solid traffic** but noted **consumers trading down**, especially in categories like beverages and home/personal care.

## 2. Trade & Tariff Policy Exposure

President Trump's **25% auto tariff announcement** and **upcoming April 2 "reciprocal tariff" policy** generated cross-sector anxiety, with consumer products manufacturers **flagging concern over input cost volatility**.

**Lululemon (LULU)** and **Dollar Tree (DLTR)** cited **China/Mexico tariffs** as headwinds to margins and FY outlooks.

Some companies noted they are **actively reassessing sourcing strategies** and **adjusting inventory levels** in anticipation of further tariff escalation.

## 3. Retailer Performance & Margin Trends

March earnings and commentary from names like **Dollar Tree (DLTR)** and **General Mills (GIS)** suggested:

Margins remained tight due to **labor, logistics, and tariff-related pressures**

**Private-label growth** and **value-focused consumers** becoming more prominent

Promotional activity re-emerging in select categories to retain market share

Some firms reported continued **strong demand for core food/beverage products**, especially in proteins and household staples, while **non-essential CPG categories lagged**.

## 4. Regulatory & ESG Headwinds

**The FCC began investigating companies including DISH** for potential **diversity, equity, and inclusion (DEI) practices**, part of a broader trend of regulatory attention on corporate governance.

Growing scrutiny on **food dye ingredients** and **label transparency** emerged in reports from Bloomberg and other outlets, prompting some companies to begin preemptive reformulation efforts.

Environmental groups pushed for **greater scrutiny on packaging waste**, with several large CPG firms acknowledging long-term commitments to recyclable materials

# 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.