

ETFSector.com

Monthly Insights: May Outlook
S&P 500

Patrick Torbert, CMT
Editor & Chief Strategist

Sector Price Action & Performance Review: S&P 500



The S&P 500 finished April just above the 5500 level which is our minimum threshold to position for bullish reversal. Price now sits just below the 50-day moving average at 5601 and we would consider 5783 on this chart as confirmation of a bullish reversal with potential to continue the longer-term bull trend.

Oscillators are hooking higher from oversold conditions with the MACD study showing a tactical buy signal.

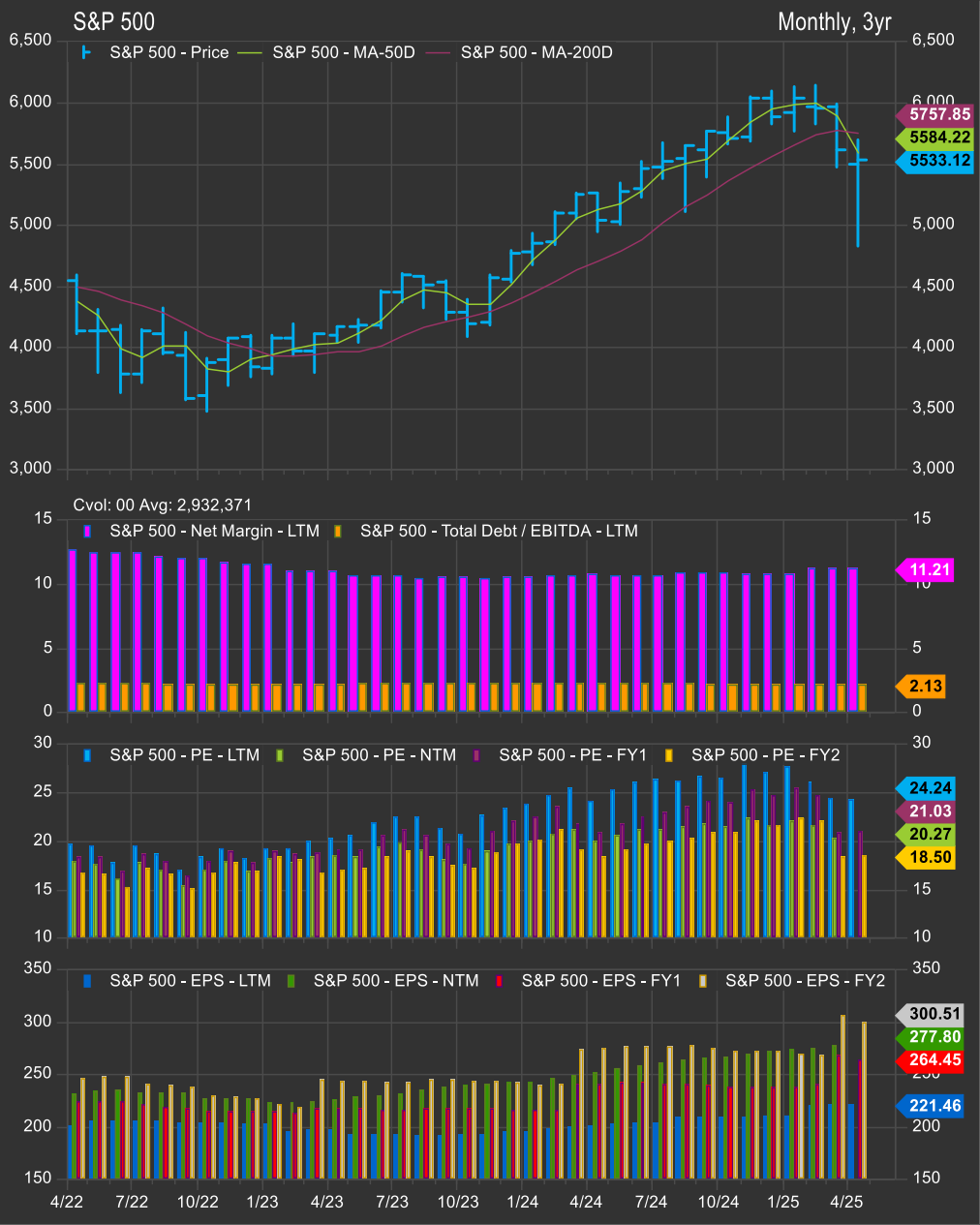
We've become more constructive on prospects for a durable turnaround based on conciliatory developments on global trade and investors defending intermediate-term support levels on Mag7 stocks. We still think there's potential for equities to go either way from here. The tenor of earnings season has highlighted the potential for continued uncertainty to hamper the economy. However, present results were strong and in many cases consensus numbers for forward earnings are still robust where available.

We are particularly attuned to the technicals of the market, and we think the 20% peak-to-trough decline in the S&P 500 has likely sent a clear message to the powers that be on global trade policy. It's not a great thing to use as a cudgel for what are now obvious reasons to all. We think that message generally has been delivered. The economic picture remains muddy, but we think deflationary effects from near-term friction may end up being a good thing over the longer-term

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

Elev8 Model Positions: May 2025			
	BMK Weight	Elev8 Model	+/-
XLF	14.54%	18.87%	4.33%
XLC	9.36%	12.33%	2.97%
XLY	10.37%	12.86%	2.50%
XLP	5.97%	7.87%	1.90%
XLU	2.51%	4.27%	1.76%
XLI	8.44%	9.82%	1.38%
XLE	3.61%	4.45%	0.84%
VGT	29.84%	29.52%	-0.32%
XLB	2.00%	0.00%	-2.00%
VNQ	2.25%	0.00%	-2.25%
XLV	11.10%	0.00%	-11.10%

Fundamentals: S&P 500

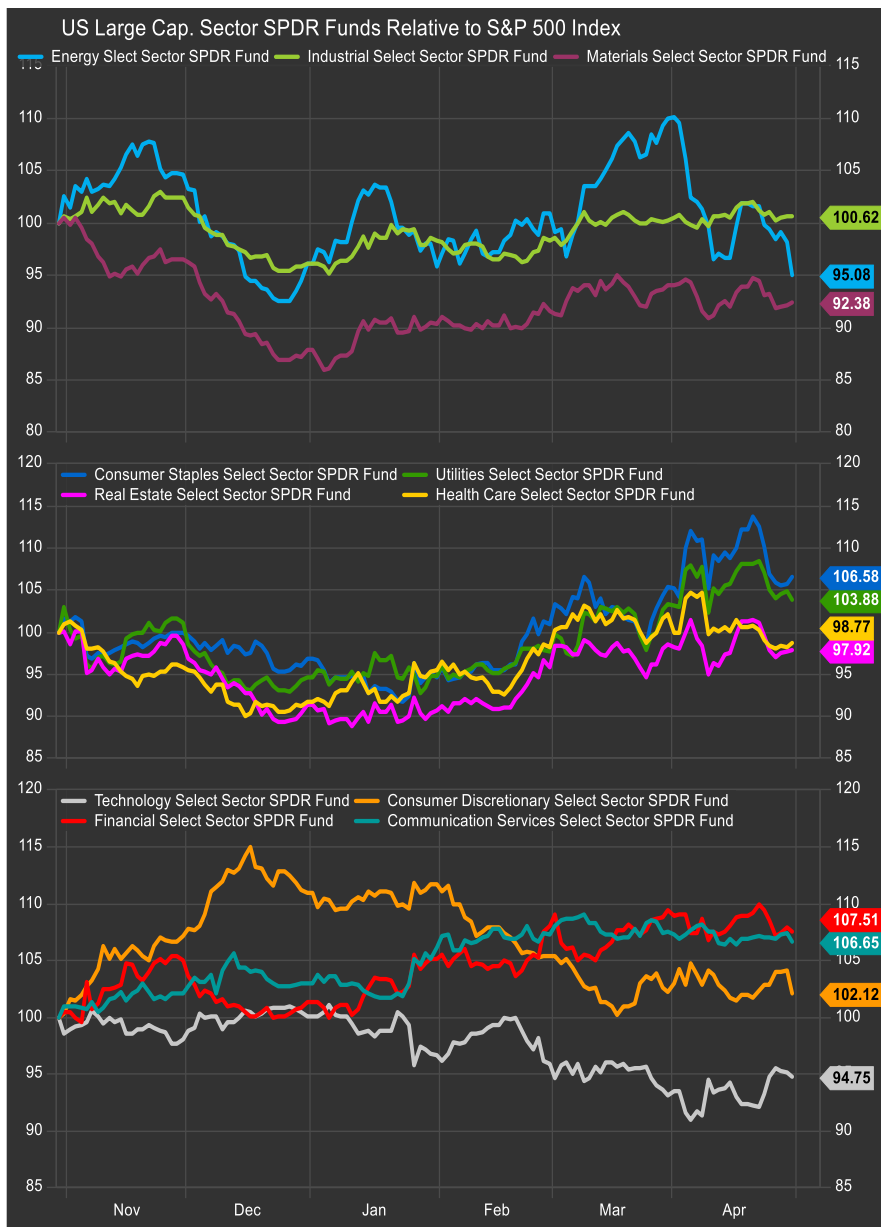


The chart (left) shows S&P 500 Margins, Debt/EBITDA, Valuation and Earnings

Net Margin for the S&P 500 ticked higher as earnings season finished with a forecasted boost in out year earnings Growth also a new data point to consider. That said, the near-term path to meet those forward expectations is setting up to be unpredictable.

Our improving outlook has to do with a growing discount to out year earnings from the recent corrective price action. We think there is potential for surprise in both directions at this point, but with equity investor reminding the political class that trade wars are not appreciated, we think it likely a message was delivered

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



S&P 500 Sectors (chart, left): Defensive sectors (panel 2) gained in April though their performance finished the month well off best levels

The month end rally was led by Tech and Discretionary sectors, though a negative GDP report on April's final day closes the month with a thud

Commodities Sectors finished the month flat to lower with the energy sector now oversold at 6-month relative lows vs. the Index

S&P 500 Internals (chart, right): The % of stocks above their 50-day moving average line (panel 2) bears watching as it is close to taking out March highs...this would be bullish confirmation of a maturing bottom formation for the index while 5504 and 5786 remain key levels for us on price

The %Advancers vs Decliners data (bottom panel) shows the 2nd half of April was the first notable period of accumulation since January...That's constructive

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

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
▼	▼	▼	▼	▼	▼	▼	↕	▼
PLTR	Palantir Technologies Inc. Class A	Uptrend	262,652.2	7.85	164.1	0.0	35.5	NT OVERBOUGHT
GEV	GE Vernova Inc.	Bullish Reversal	101,310.7	1.80	42.2	0.2	22.9	NT OVERBOUGHT
CRWD	CrowdStrike Holdings, Inc. Class A	Bullish Reversal	106,831.0	4.63	30.3	0.0	21.0	NT OVERBOUGHT
NFLX	Netflix, Inc.	Uptrend	479,040.1	1.67	48.0	0.0	20.8	NT OVERBOUGHT
NOW	ServiceNow, Inc.	Bullish Reversal	195,172.0	2.16	4.2	0.0	18.5	NT OVERBOUGHT
CDNS	Cadence Design Systems, Inc.	Bullish Reversal	82,903.1	1.72	8.8	0.0	18.0	NT OVERBOUGHT
DFS	Discover Financial Services	Bullish Reversal	46,640.1	0.50	20.4	1.0	17.1	NT OVERBOUGHT
APH	Amphenol Corporation Class A	Bullish Reversal	92,752.1	1.15	16.7	0.6	15.4	NT OVERBOUGHT
NRG	NRG Energy, Inc.	Uptrend	22,307.6	0.58	26.6	1.1	15.3	NT OVERBOUGHT
PWR	Quanta Services, Inc.	Bullish Reversal	43,349.3	1.11	2.5	0.1	15.3	NT OVERBOUGHT

The stock level leader board shows a mix of strongly trended Growth stocks (PLTR, NFLX) and a few more aspirational turn-arounds like CDNS, NOW and PWR

The hardest hit stocks were all among the weakest heading into April, with UNH notably violating downside support and pivoting to a bear trend

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
▼	▼	▼	▼	▼	▼	▼	↕	▼
CRL	Charles River Laboratories International, Inc.	Downtrend	5,760.8	0.50	-33.2	0.0	-24.3	NT OVERSOLD
ARE	Alexandria Real Estate Equities, Inc.	Downtrend	12,553.8	1.19	-27.8	4.9	-22.7	NT OVERSOLD
ENPH	Enphase Energy, Inc.	Downtrend	6,259.9	0.69	-35.5	0.0	-22.3	NT OVERSOLD
GPN	Global Payments Inc.	Downtrend	18,811.0	0.25	-25.8	0.9	-21.1	NT OVERSOLD
APA	APA Corporation	Downtrend	5,912.4	0.24	-29.9	4.1	-20.9	NT OVERSOLD
UNH	UnitedHealth Group Incorporated	Downtrend	374,327.7	0.59	-20.9	1.4	-20.4	NT OVERSOLD
SWK	Stanley Black & Decker, Inc.	Downtrend	9,467.0	0.48	-28.5	3.4	-19.6	NT OVERSOLD
LUV	Southwest Airlines Co.	Support	15,534.5	0.68	-7.7	1.8	-18.6	
SLB	Schlumberger Limited	Downtrend	46,395.1	0.42	-16.4	2.2	-18.3	NT OVERSOLD
HAL	Halliburton Company	Downtrend	17,632.8	0.33	-25.4	2.2	-17.9	NT OVERSOLD

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

Economic & Policy Drivers: S&P 500

1. Global Trade: Policy Relief, But Still a Growth Headwind

Trade policy remained a dominant market theme in April as President Trump's administration issued **select carve-outs** to soften the impact of new tariffs, including:

Tariff offsets for automakers on foreign-made parts starting May 3.

Indications of de-escalation with Japan and South Korea, including reports of a near-term "agreement of understanding."

Discussion of exempting some strategic sectors from the 125% China tariffs, though implementation details remain scarce.

Still, tensions with China remain elevated. Beijing stated there are **no active negotiations** underway and hinted at **retaliatory measures**. Multiple sources flagged supply chain disruptions starting in May, especially as **incoming shipments to US ports are expected to fall 30–35% y/y** (Port of LA data).

2. Interest Rates & Fed Policy: Cuts Expected, But Independence in Focus

April saw a **broad bond rally** and falling Treasury yields as markets grew more confident the Fed will cut rates in H2:

The **10-year yield fell from 4.45% to ~4.30%**, its lowest since March.

Futures now price in **~85 bps of cuts** by year-end.

Fed speakers, including Waller and Goolsbee, suggested that tariff-related inflation would be **transitory** unless it disrupts employment or long-run expectations.

However, the political backdrop has complicated the rate debate:

Trump renewed criticism of Fed Chair Powell, calling for cuts and reportedly considering reaching out to push the issue directly.

Speculation has intensified over potential Powell successors should Trump win re-election, raising concerns about **Fed independence**.

Implication for the S&P 500: Lower yields are a tailwind for **equities, especially growth stocks**, but questions over central bank credibility are an underappreciated risk, particularly if inflation expectations become unanchored or the Fed is seen as politically pressured.

3. Consumer Health: Holding Up, But Cracks Are Appearing

Data released in April painted a mixed picture:

April Conference Board Consumer Confidence fell to 86.0, the lowest since spring 2020. The Expectations Index dropped to its lowest since 2011, driven largely by **tariff fears** and **inflation concerns**.

1-year inflation expectations (per University of Michigan) ticked up to **6.5%**, the highest since 1981.

Credit card delinquencies and net charge-offs rose for issuers like COF and DFS, though they remain below pre-pandemic levels.

Walmart, Target, and McDonald's flagged **weaker discretionary spending** in lower-income segments.

Auto sales, housing turnover, and big-ticket retail purchases showed signs of softening under the weight of higher rates and tighter lending.

4. Corporate Earnings: Tariff Mitigation & Conservative Guidance Themes

Q1 earnings season (ongoing) has largely **beat expectations** on both EPS and revenue, with positive surprises in **Tech, Industrials, and Health Care**. Themes include:

Strong mitigation efforts against tariffs (e.g., Honeywell, Zebra, Sherwin-Williams).

Management teams broadly **reiterating FY guidance** despite macro uncertainty.

Downbeat guidance more common in **tariff-exposed and consumer-facing names**, including Whirlpool, Skechers, and Spotify.

Supply chain disruptions have **not yet fully materialized** in results, but many companies noted risks in H2.

Margins are holding up better than feared, but there's **limited appetite for hiring and capex** expansion due to uncertainty around **tariffs, tax policy, and consumer demand**.

5. Labor Market & Hard Data: Strength, But With a Lag

Initial jobless claims remain low and **payroll growth solid** (+130–150K expected for April).

JOLTS job openings fell to 7.2M, a modest decline but consistent with cooling.

Wage growth is tracking **+0.3% m/m**, steady but not re-accelerating.

However, **soft survey data (PMIs, consumer sentiment, confidence)** have sharply deteriorated, sparking concern about a **lagging downturn** in the hard data.

Implication for the S&P 500: Labor market strength is still a cushion, but the divergence between soft and hard data suggests **cyclical sectors may struggle** to sustain momentum in Q2–Q3.

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.