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Monthly Insights: June Outlook

Industrial Sector

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Sector Price Action & Performance Review: Industrial Sector



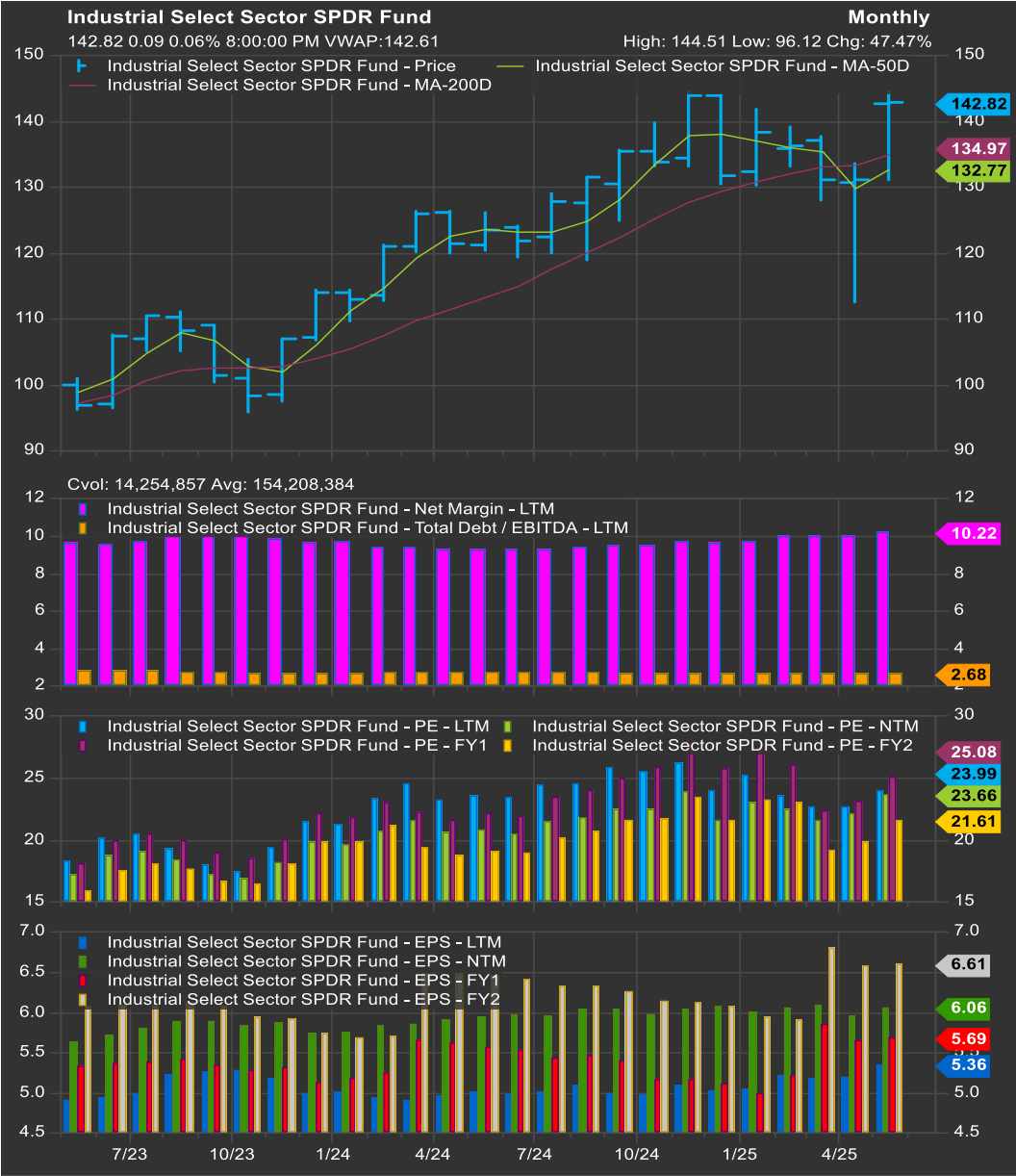
The industrial sector has benefitted from the equity recovery through April and May. Price has tested up to intermediate-term resistance at \$145 and an upside move above that level would project a 10% move higher over the intermediate-term (3-9 months). Performance has also been strong with the sector making new 52-wk relative highs vs the S&P 500

Sector strength has been derived from strong performance by Aero/Defense stocks, with the stability of government contracts providing a tailwind amidst global trade uncertainty. Electrical Equipment and Construction & Engineering stocks have improved in the near-term along with global trade sentiment while Transports, Machinery and Industrial services names have rolled over and are underperforming.

Despite concerns over softening economic data and interest rates that aren't low enough to provide relief from financing costs, the sectors technical position has improved steadily throughout 2025 likely due to a mix of growth potential from global supply chain realignment, an expectation of dovish moves from the Fed if the economy continues to slow and infrastructure demand.

We start June long the Industrial Sector with an **OVERWEIGHT allocation of **3.04%** in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

Fundamentals: Industrial Sector



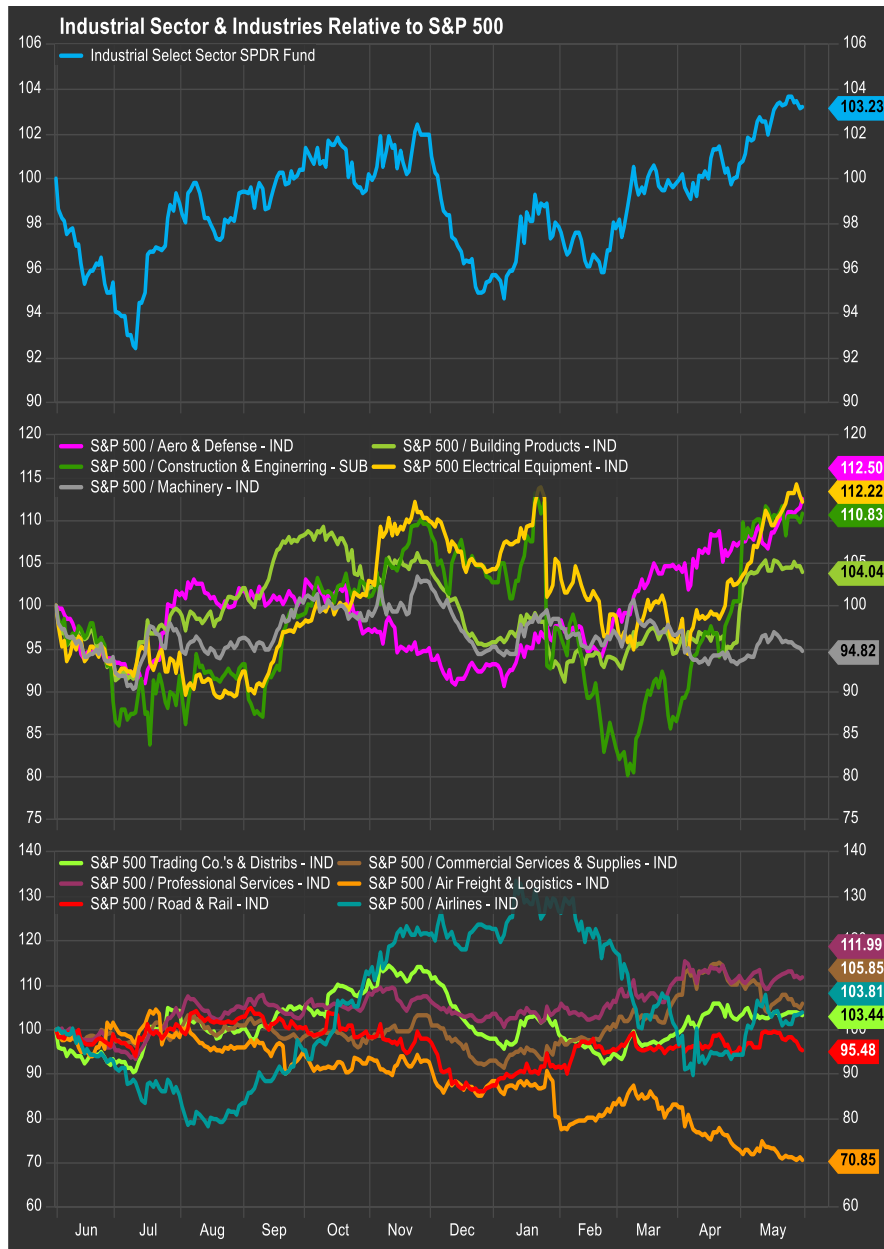
The chart (left) shows S&P 500 Industrial Sector Margins, Debt/EBITDA, Valuation and Earnings

Margins in aggregate have firmed for the sector during the present reporting season (chart, panel 2)

Valuation (chart, panel 3) is starting to firm while earnings season has been strong, bolstering FY2 guidance (panel 4)

Consensus forward earnings projections got a boost through Q1 earnings guidance and offer some hope for the sector though valuations remain elevated at a slight premium to the S&P 500

Industry/Sub-Industry Performance and Breadth: Industrial Sector



Industrial Industries (chart, left): Aero/Defense, Electrical and C&E companies continued to lead the sector in May

Airlines have firmed after retracing most of their August to February gains vs. the S&P 500

Machinery performance has flattened out and may serve as a bellwether going forward

Industrial Sector Internals (chart, right): The sector saw breadth of upside participation expand notably in April and May taking the % of stocks > their 50-day m.a. to new 6-month highs with the series cracking the 90% level which indicates confirmation of the bull trend in our work. These are very positive technical developments for the sector

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	3y BETA Rel to Loc Idx	1-Month Excess Return vs. BMK
ROK	Rockwell Automation, Inc.	Bullish Reversal	35,497.8	1.16	11.2	1.1	1.43	21.2
GEV	GE Vernova Inc.	Uptrend	128,598.7	2.19	61.9	0.1	1.22	20.5
JCI	Johnson Controls International plc	Bullish Reversal	67,213.0	1.02	24.0	1.0	1.40	17.6
HWM	Howmet Aerospace Inc.	Uptrend	68,660.9	1.83	45.1	0.2	1.51	17.3
LUV	Southwest Airlines Co.	Bullish Reversal	19,210.2	0.79	11.6	1.5	1.63	17.2
TT	Trane Technologies plc	Uptrend	96,408.5	1.29	15.1	0.6	1.13	15.8
GE	GE Aerospace	Uptrend	260,369.0	1.66	28.7	0.4	1.55	15.3
AXON	Axon Enterprise Inc	Uptrend	56,853.7	4.32	47.2	0.0	1.59	13.0
CARR	Carrier Global Corp.	Bullish Reversal	61,220.5	0.90	2.3	0.9	1.30	11.3
PWR	Quanta Services, Inc.	Bullish Reversal	50,349.0	1.25	12.1	0.1	1.07	9.7

Pro momentum leadership continues in the Industrial space with Aero/Defense names (GE, HWM, AXON) continuing to outperform while Electrical and Construction & Engineering stocks (ROK, GEV, JCI) also see improvement

On the laggard list, Building Products stocks couldn't sustain any bullish reversal as the back up in rates scotched the nascent recovery in housing relative stocks

Industrial services names are also retracing some YTD relative gains as risk appetite firms on improving trade sentiment

Symbol	Name	CHART_PATTERN	MktVal Co	Valuation Multiple Rel to Index	Momentum Score	Div Yld Multiple rel to Index	3y BETA Rel to Loc Idx	1-Month Excess Return vs. BMK
CPRT	Copart, Inc.	Support	49,676.5	1.22	-13.9	0.0	1.19	-21.5
BLDR	Builders FirstSource, Inc.	Retracement	12,038.4	0.51	-32.8	0.0	1.85	-15.9
AOS	A. O. Smith Corporation	Support	7,524.1	0.66	-12.3	1.4	1.36	-9.4
HII	Huntington Ingalls Industries, Inc.	Bullish Reversal	8,777.0	0.59	9.2	1.4	0.34	-9.4
NOC	Northrop Grumman Corp.	Consolidation	68,997.7	0.73	-0.3	1.0	-0.10	-7.0
LMT	Lockheed Martin Corporation	Consolidation	110,983.7	0.67	-3.3	1.8	0.34	-6.9
LDOS	Leidos Holdings, Inc.	Consolidation	18,986.0	0.53	-2.3	0.7	0.70	-6.5
BR	Broadridge Financial Solutions, Inc.	Bullish Reversal	28,158.3	1.05	3.2	0.9	0.99	-6.4
DAY	Dayforce, Inc.	Support	9,225.1	0.95	-14.2	0.0	1.03	-5.8
OTIS	Otis Worldwide Corporation	Consolidation	37,557.4	0.91	-6.3	1.1	1.08	-5.8

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: Industrial Sector

1. Global Trade & Tariff Risk

Trade was the single most important macro variable for the Industrials sector in May. The U.S. Court of International Trade's ruling that struck down Trump-era tariffs under the **International Emergency Economic Powers Act (IEEPA)** initially sparked optimism, particularly for **capital goods manufacturers, logistics firms, and cross-border service providers**. However, that optimism was quickly tempered:

A U.S. appeals court stayed the CIT's decision, allowing current tariffs — including the **10% base tariff and 25% levy on non-USMCA imports** — to remain in place while it evaluates the ruling.

White House officials stated they would **pursue alternative tariff powers** under **Sections 122 and 301**, keeping uncertainty elevated. The administration also signaled that **non-tariff measures**, like Section 899 targeting nations with “discriminatory” digital service taxes, could add a new layer of risk for multinational industrial companies.

Meanwhile, U.S.–China trade negotiations were described as **“a bit stalled,”** while talks with the EU continued with **expectations of deeper concessions**, including in key industrial sectors like **steel, semiconductors, aerospace, and chemicals**.

2. Earnings Concerns and Corporate Guidance

Boeing (BA) was a bright spot, with CEO commentary about plans to **boost 737 MAX production to 47/month by year-end** and **resumption of deliveries to Chinese airlines**, offering a rare example of positive momentum in aerospace.

Delta (DAL), United (UAL) and **JetBlue (JBLU)** made headlines with new partnerships and slot arrangements, reflecting **select recovery in air travel capacity and fleet expansion**.

Multiple CEOs across sectors warned of a **challenging macro backdrop**, with **delayed corporate decision-making** and **uncertain revenue visibility** dragging down confidence.

More broadly, many industrials — particularly those tied to construction, transportation, and logistics — flagged **weak demand growth, modest order books**, and a need to remain cautious on cost planning.

3. Corporate Credit and Treasury Market Signals

Auction demand was strong — including the \$70B in 5-year and \$44B in 7-year note sales — but investors remained focused on the **"US exceptionalism trade"** narrative, which has increased the cost of capital.

Treasury curve steepening, particularly with **10Y and 30Y yields moving back above 4.5% and 5% respectively**, suggested **repricing of long-term risk and higher borrowing costs for capital-intensive companies** in the industrial space.

Fed minutes and Fedspeak emphasized a **"patience" stance** while reiterating concern about **persistent inflation and slower economic growth**, pushing rate cut expectations further out and offering no near-term relief on financing costs.

As a result, companies with **low margins, higher capex needs, or debt-dependent business models** are likely to remain cautious on expansion plans.

4. Supply Chain Conditions & Input Costs

The ruling on tariffs and ongoing uncertainty about legal framework for future trade policy **revived concerns around sourcing and cost volatility**, particularly for aerospace, automotive, and heavy industrial OEMs.

Labor remains a constraint. Initial jobless claims rose to 240K and continuing claims hit a post-2021 high of 1.919M, but firms still cited difficulties in hiring skilled labor, especially in manufacturing, construction, and equipment servicing roles.

Wages and benefits remain a **structural cost burden**, especially for companies that cannot fully pass through pricing due to weak demand.

This mix of **rising unit labor costs** and **uncertain freight/tariff expenses** means **margin compression remains a risk** despite input normalization in raw materials.

5. Key Macro Data and Policy Developments

April durable goods orders were soft, and **pending home sales dropped 6.3%**, undercutting demand for construction and transport-related services.

Q1 GDP was revised up slightly to +2.1% (SAAR), but **personal consumption came in below expectations**, reflecting softer consumer and business confidence.

Core PCE inflation, the Fed's preferred gauge, remained sticky, adding to policy caution.

Fed officials, including Goolsbee, Daly, and Logan, reiterated **patience on cuts**, noting that inflation may prove “more persistent” than expected

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.