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Monthly Insights: June Outlook

# Utilities Sector

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# Sector Price Action & Performance Review: Utilities



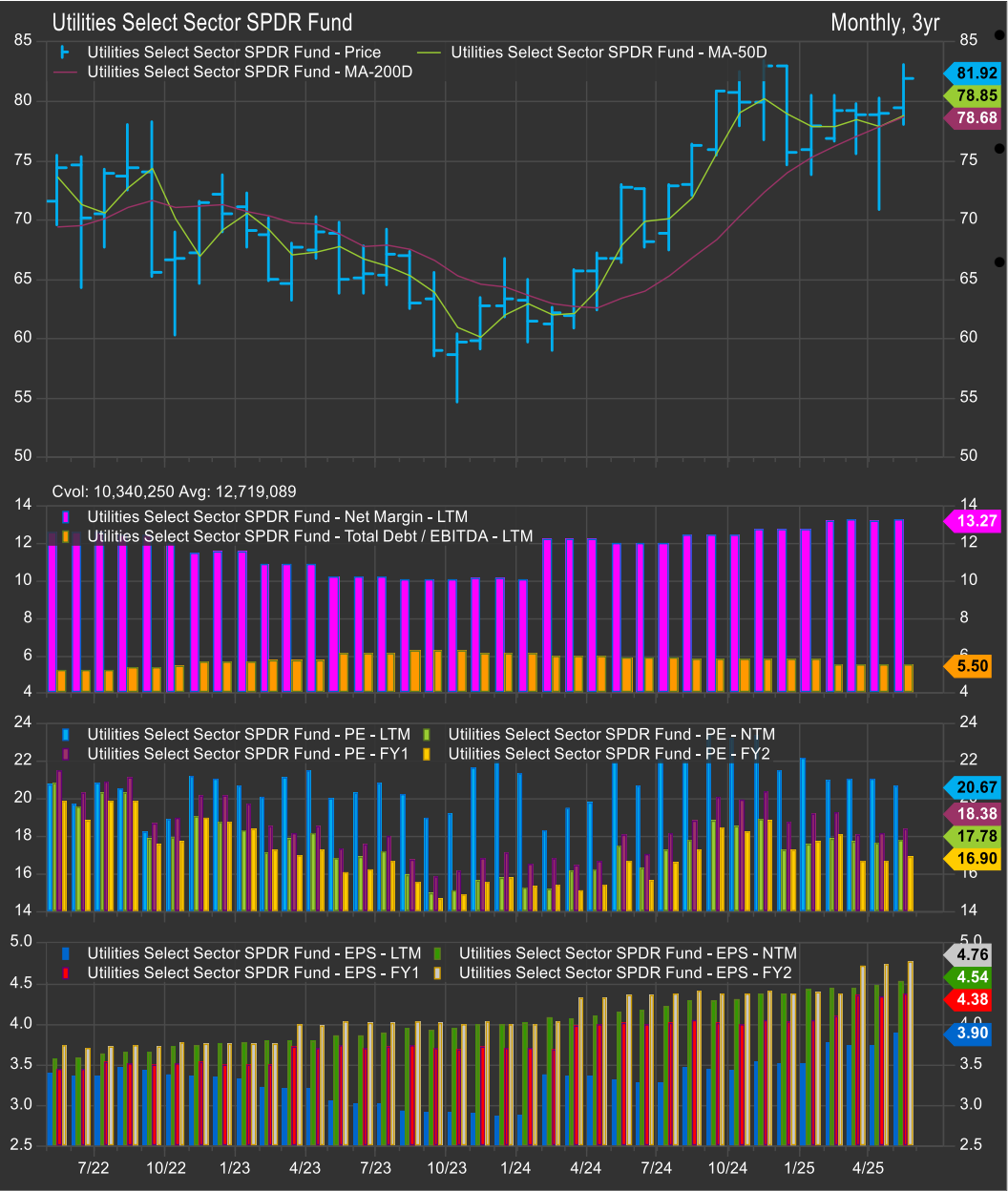
Utilities stocks retraced relative gains in May as sentiment on global trade improved and investors rotated towards riskier assets.

With interest rates rising as trade deals have pushed recession fears to the sideline, Utilities stocks have reverted to a laggard position. Nuclear play VST surged as investors rotated back into nuclear stocks and other higher beta energy plays. Traditional Utilities can't keep pace while equities are moving higher.

Risks remain to the business cycle from potential inflation and tightening credit conditions, so Utilities remain a useful hedge exposure for an offensively positioned portfolio. While we are constructive on the equity market in aggregate, we have concerns about the continued resilience of the US consumer and the potential for rates to move high enough to further restrict credit. For those reasons we've kept some exposure to the sector in our portfolio this month.

**We start June with an **MARKETWEIGHT** allocation to the Utilities Sector of **-0.06%** in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

# Fundamentals: Utilities Sector

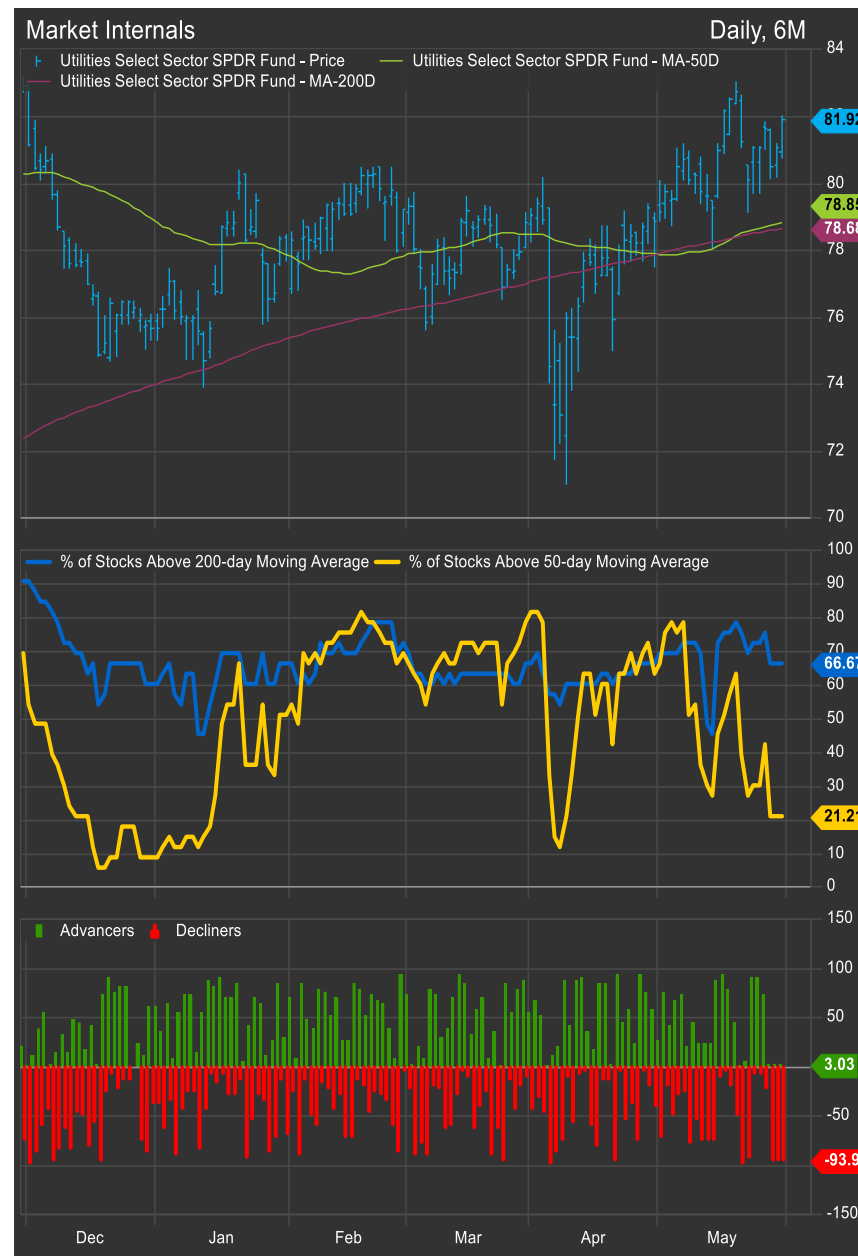


The chart (left) shows S&P 500 Utilities Sector Margins, Debt/EBITDA, Valuation and Earnings

Net Margin continues to expand for the sector into 2025(chart, panel 2)

Valuation (chart, panel 3) got lofty on a trailing 12-month basis as the sector spent 2024 trading at or above the S&P 500 multiple...however, projected earnings growth over the next 2 years is robust with a projected growth rate > 10% and corresponding forward valuations set to contract

# Industry Performance and Breadth: Utilities



**Utilities Industries** (chart, left): Performance retracement halted at the end of May for Electrical and Gas Utilities as equity investors paused to take some profits

Indy power heavyweight VST is in near-term bullish reversal as improving sentiment on trade has bolstered rotation into Growth and higher-beta themes.

**Utilities Sector Internals** (chart, right): Utilities are now sharply oversold in the near-term with just over 20% of the sector above its 50-day moving average

Top 10/Bottom 10 Stock Level Performers: Utilities

| Symbol | Name                             | CHART_PATTERN    | MktVal Co | Valuation<br>Multiple Rel to<br>Index | Momentum<br>Score | Div Yld Multiple<br>rel to Index | 3y BETA Rel to<br>Loc Idx | 1-Month Excess<br>Return vs. BMK |
|--------|----------------------------------|------------------|-----------|---------------------------------------|-------------------|----------------------------------|---------------------------|----------------------------------|
|        |                                  |                  |           |                                       |                   |                                  |                           |                                  |
| NRG    | NRG Energy, Inc.                 | Uptrend          | 30,200.5  | 0.78                                  | 54.4              | 0.8                              | 1.12                      | 35.1                             |
| CEG    | Constellation Energy Corporation | Bullish Reversal | 95,081.4  | 1.22                                  | 22.2              | 0.3                              | 1.06                      | 27.7                             |
| VST    | Vistra Corp.                     | Bullish Reversal | 54,201.5  | 0.91                                  | 16.7              | 0.4                              | 1.64                      | 17.0                             |
| ES     | Eversource Energy                | Support          | 23,545.7  | 0.53                                  | 4.4               | 3.1                              | 0.71                      | 2.7                              |
| D      | Dominion Energy Inc              | Consolidation    | 47,773.3  | 0.65                                  | -0.6              | 3.1                              | 0.69                      | -2.1                             |
| SRE    | Sempra                           | Consolidation    | 50,836.7  | 0.67                                  | -3.9              | 2.2                              | 0.78                      | -3.0                             |
| NEE    | NextEra Energy, Inc.             | Consolidation    | 142,025.0 | 0.73                                  | -9.1              | 2.1                              | 0.46                      | -3.9                             |
| LNT    | Alliant Energy Corporation       | Bullish Reversal | 15,887.8  | 0.76                                  | 2.1               | 2.2                              | 0.58                      | -5.2                             |
| DTE    | DTE Energy Company               | Consolidation    | 28,276.1  | 0.74                                  | 7.5               | 2.1                              | 0.48                      | -6.8                             |
| ETR    | Entergy Corporation              | Retracement      | 35,478.6  | 0.82                                  | 10.4              | 2.0                              | 0.56                      | -7.2                             |

| Symbol | Name                                  | CHART_PATTERN    | MktVal Co | Valuation<br>Multiple Rel to<br>Index | Momentum<br>Score | Div Yld Multiple<br>rel to Index | 3y BETA Rel to<br>Loc Idx | 1-Month Excess<br>Return vs. BMK |
|--------|---------------------------------------|------------------|-----------|---------------------------------------|-------------------|----------------------------------|---------------------------|----------------------------------|
|        |                                       |                  |           |                                       |                   |                                  |                           |                                  |
| ED     | Consolidated Edison, Inc.             | Consolidation    | 37,247.4  | 0.72                                  | 2.5               | 2.2                              | 0.41                      | -13.5                            |
| EXC    | Exelon Corporation                    | Consolidation    | 44,116.7  | 0.64                                  | 6.7               | 2.4                              | 0.42                      | -12.3                            |
| PPL    | PPL Corporation                       | Retracement      | 25,445.5  | 0.74                                  | 1.5               | 2.1                              | 0.79                      | -11.9                            |
| EIX    | Edison International                  | Support          | 21,500.6  | 0.37                                  | -19.9             | 3.9                              | 0.88                      | -11.3                            |
| CMS    | CMS Energy Corporation                | Consolidation    | 20,804.1  | 0.76                                  | -0.2              | 2.1                              | 0.44                      | -11.3                            |
| AEP    | American Electric Power Company, Inc. | Consolidation    | 54,771.0  | 0.68                                  | 2.2               | 2.4                              | 0.62                      | -11.1                            |
| DUK    | Duke Energy Corporation               | Consolidation    | 89,734.3  | 0.72                                  | 0.6               | 2.4                              | 0.45                      | -10.7                            |
| PNW    | Pinnacle West Capital Corp            | Consolidation    | 10,846.2  | 0.77                                  | 1.1               | 2.6                              | 0.61                      | -10.2                            |
| AEE    | Ameren Corporation                    | Bullish Reversal | 26,606.6  | 0.76                                  | 5.2               | 1.9                              | 0.55                      | -9.5                             |
| EVRG   | Evergy, Inc.                          | Retracement      | 15,238.9  | 0.65                                  | 4.5               | 2.7                              | 0.56                      | -9.4                             |

Momentum names from 2023-2024 re-emerged in May (VST, CEG) while NRG has become a strong stock in the sector as well

However, performance generally skewed negative as improving risk appetite spurred rotation out of low vol. sectors and out of fixed income exposures into cyclical equity exposures

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: Utilities Sector

## Interest Rates & Treasury Market Impact

Utilities underperformed for much of May as higher long-end Treasury yields eroded relative attractiveness of the sector's income profile:

The **10-year yield breached 4.5%** early in the month, pushing the sector lower given its bond proxy characteristics.

A **well-received 5- and 7-year Treasury auction** and softer economic data toward month-end led to a rally in Treasuries, providing relief for utility stocks.

Fed commentary during the month leaned hawkish overall, though policymakers signaled willingness to cut if inflation cooled or if tariffs disrupted growth—key factors utilities investors are monitoring into June.

## Earnings Trends & Operational Highlights

May's earnings and corporate commentary reflected ongoing margin pressure, capital expenditure priorities, and regulatory negotiations:

**CEG (Constellation Energy)** and **VST (Vistra Corp.)** both saw outsized stock gains earlier in 2025, supported by robust pricing and demand for zero-carbon generation. These stocks continued to benefit from tailwinds around **energy transition and policy support for clean power**.

Utilities with **higher nuclear and renewables exposure** outperformed as investors rotated toward assets perceived as having more durable long-term demand and inflation protection.

However, companies with heavier **fossil fuel generation exposure or elevated regulatory risk** struggled amid concerns about potential future rate disallowances and storm recovery lag.

## Policy and Regulatory Developments

Policy signals in May were mixed but largely constructive for long-term

investment in utility infrastructure:

The **Biden administration's support for clean energy build-out remained intact**, though the White House's focus on tariff enforcement raised concerns about potential cost escalation for imported solar panels, wind turbines, and grid hardware.

Ongoing Congressional discussions about **grid modernization incentives and climate-related infrastructure funding** continued, though headline progress was limited.

State-level rate cases remained a source of uncertainty, particularly as **regulators became more sensitive to consumer price pressures** amid broader inflation fatigue.

## Climate, Weather & Grid Reliability

Heightened concern over grid resiliency and wildfire exposure also re-emerged:

Early **wildfire risks in Alberta** and headlines about extreme summer weather forecasts in the Western U.S. prompted scrutiny on preparedness, especially for utilities in fire-prone or heat-sensitive regions.

Utilities with poor historical performance during power disruptions or high deferred maintenance were viewed as higher risk.

On the flip side, **demand for grid-hardening and weatherization projects remains high**, providing a capital deployment opportunity supported by regulatory backing

# 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.