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Monthly Insights: July Outlook  
**Consumer Discretionary Sector**

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# Sector Price Action & Performance Review: Consumer Discretionary Sector



The Discretionary Sector reflected a bifurcated backdrop—strong leisure demand and selected retail outperformance offset by worsening credit metrics, mortgage inertia, and trade policy risks.

Relative to the S and P 500 discretionary sector performance retraced games in June. However sector starts July in a constructive position the RSI oscillator hooking higher from a neutral reading and the MACD study on a tactical buy signal

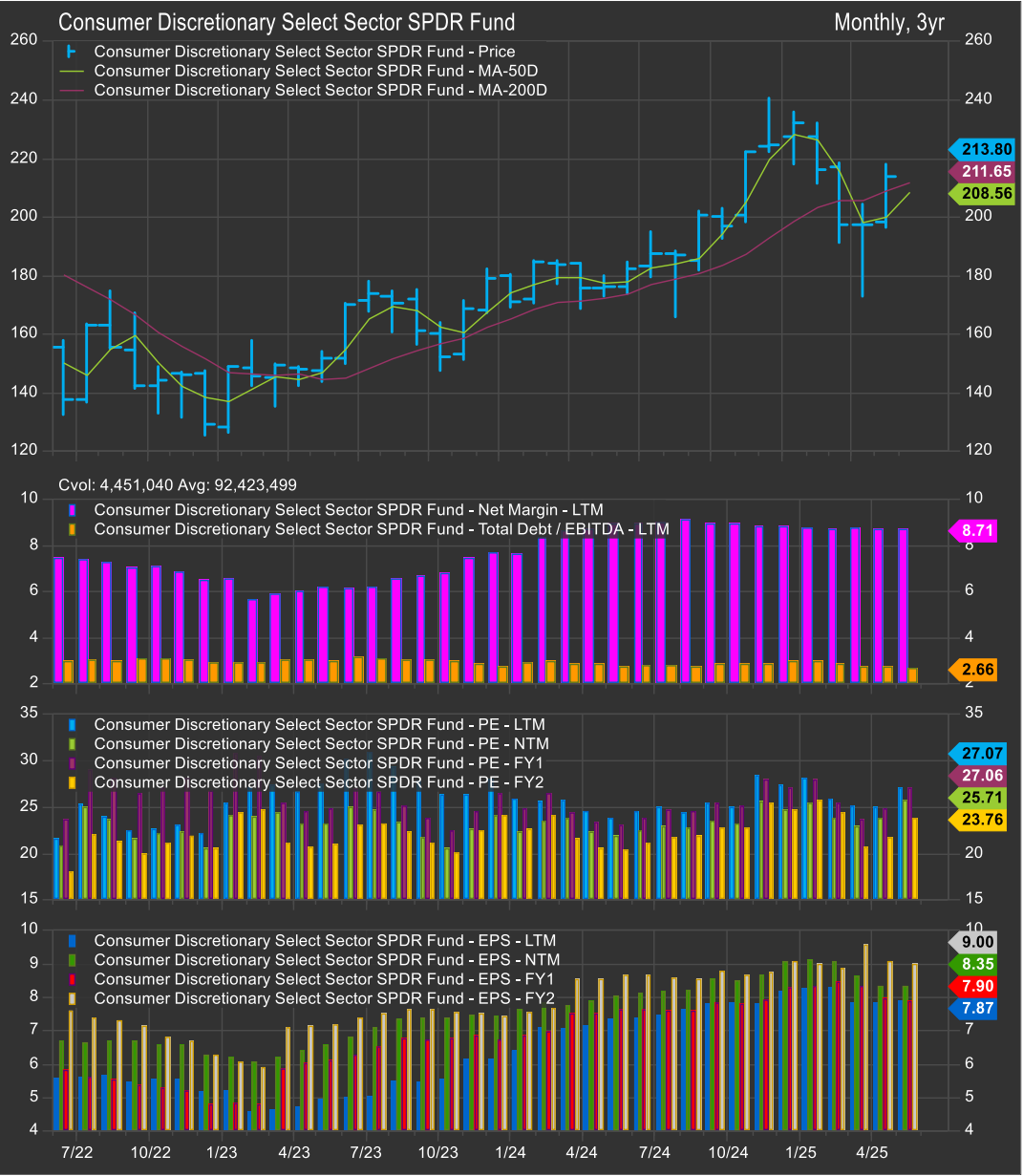
Consumer credit gages like credit card and loan delinquencies are ticking higher, but employment remains strong despite stagnating wage growth.

At the stock level, AMZN and TSLA Remained in bullish reversal patterns coincident with the domestic Growth trade. Homebuilding stocks remain structural laggards in 2025 while but we've seen some firming in apparel and leisure names.

Investors will be watching for signs of consumer strain or resilience amid tight credit, weak housing activity, and possible fiscal uncertainty. Tariffs and Fed policy will shape the earnings tone across retail, autos, and housing-adjacent names as Q2 reporting begins. However, given improving outlook on global trade and renewed buying in Mega Cap. Growth, we think the sector has a better than even chance of outperforming in June as we expect the S&P 500 to retest its all-time high sooner than later.

**We start July long the Consumer Discretionary Sector with an **OVERWEIGHT** allocation of **+2.84%** in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

# Fundamentals: Consumer Discretionary Sector

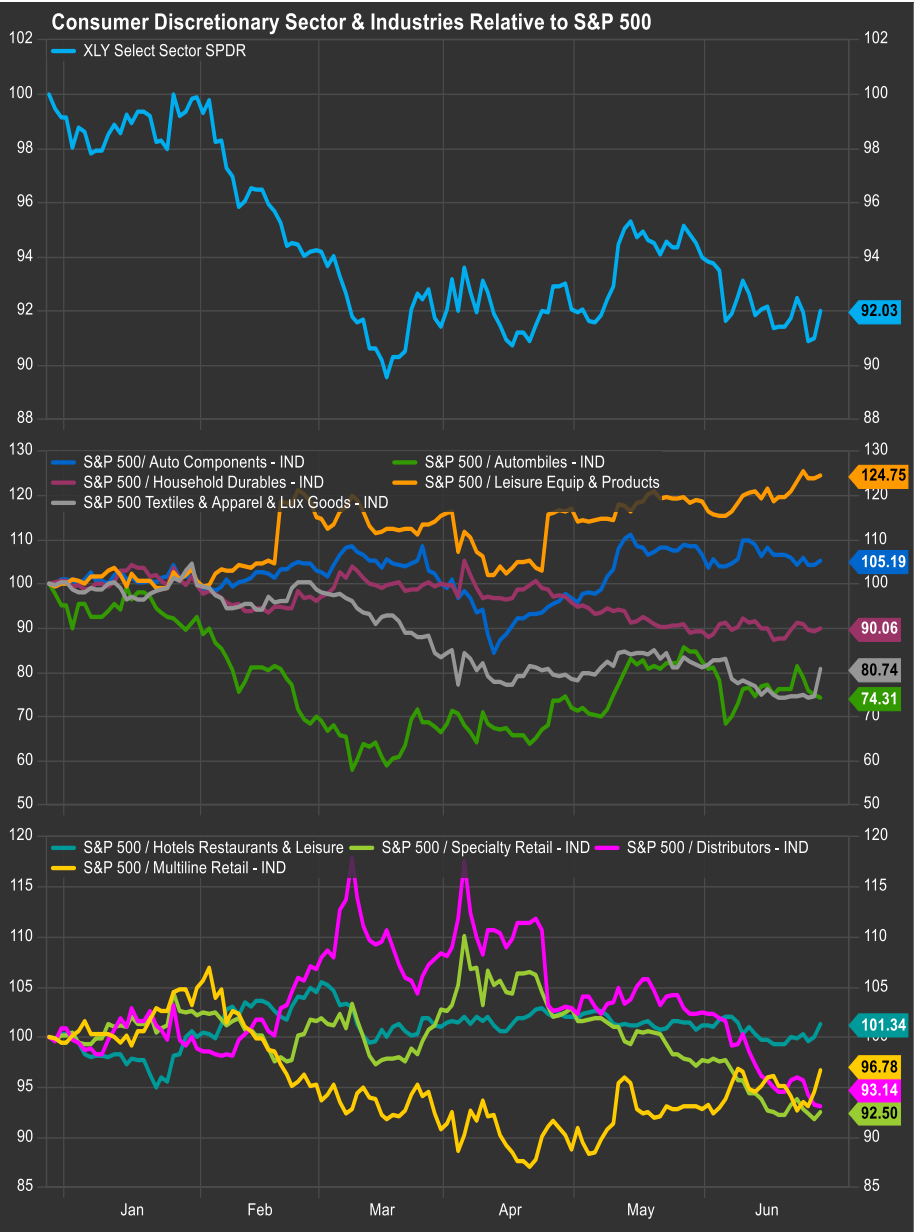


The chart (left) shows S&P 500 Consumer Discretionary Sector Margins, Debt/EBITDA, Valuation and Earnings

While several other sectors show margin contraction, the Discretionary sector has regained net margin levels from the pre-inflationary period (chart, panel 2)

Valuation (chart, panel 3) remains at a premium to the S&P 500 and is a concern moving forward while consensus forward earnings projections (panel 4) have firmed YTD

Industry/Sub-Industry Performance and Breadth: Consumer Discretionary Sector



**Consumer Discretionary Industries**

(chart, left): TSLA has retraced but remains in a bullish reversal structure keeping the automobile industry constructive in our work Liesure Products, Multiline Retail and Hotels Restaurants and Leisure stocks have hooked higher at the end of June giving the industry performancecomposition a risk on tone

Household Durables have become a structural laggard as high rates have kept the housing markets on the sideline due to affordability issues

**Consumer Discretionary Sector**

**Internals** (chart, right): Market internal trends Consolidated in June and we’re looking for the next upside catalyst to spur accumulation

Top 10/Bottom 10 Stock Level Performers: Consumer Discretionary 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
RCL	Royal Caribbean Group	Uptrend	84,050.7	0.75	30.9	0.6	2.44	18.8
CCLU	Carnival Corporation	Bullish Reversal	31,801.7	0.51	18.1	0.0	3.09	13.6
NKE	NIKE, Inc. Class B	Downtrend	84,870.5	1.59	3.8	1.4	1.29	12.4
DASH	DoorDash, Inc. Class A	Uptrend	96,606.5	3.38	22.4	0.0	1.86	12.3
NCLH	Norwegian Cruise Line Holdings Ltd.	Consolidation	9,016.6	0.36	-4.9	0.0	2.48	10.1
HAS	Hasbro, Inc.	Bullish Reversal	10,247.7	0.66	12.6	2.5	0.65	5.4
CMG	Chipotle Mexican Grill, Inc.	Retracement	74,172.4	1.68	-1.5	0.0	1.06	5.0
ULTA	Ulta Beauty Inc.	Bullish Reversal	20,597.2	0.76	9.6	0.0	0.92	4.9
DHI	D.R. Horton, Inc.	Retracement	39,531.2	0.43	-5.2	0.8	1.47	4.7
AMZN	Amazon.com, Inc.	Bullish Reversal	2,370,631.3	1.34	2.8	0.0	1.37	4.1

Some evidence of renewed interest and discretionary spending exposures was evident in the leader board for June. Cruise lines DASH, ULTA Amazon and Nike we’re among the leadership cohort

TSLA retraced gains from April and May and sits at a potential accumulation point in its bullish reversal pattern

Laggards included chain restaurants distributors and specialty retail names

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
LULU	lululemon athletica inc.	Distributional	26,963.7	0.63	-33.2	0.0	1.25	-30.5
TSLA	Tesla, Inc.	Bullish Reversal	1,040,961.4	5.42	-4.2	0.0	1.78	-14.3
ROST	Ross Stores, Inc.	Consolidation	41,832.3	0.80	-12.3	0.8	1.19	-13.1
LKQ	LKQ Corporation	Support	9,582.4	0.41	-14.8	#N/A	1.06	-12.7
DPZ	Domino's Pizza, Inc.	Consolidation	15,285.1	0.97	-8.9	1.0	1.09	-12.2
MCD	McDonald's Corporation	Consolidation	208,467.8	0.92	-11.9	1.6	0.62	-11.2
AZO	AutoZone, Inc.	Uptrend	60,382.1	0.89	-8.7	0.0	0.26	-8.6
GPC	Genuine Parts Company	Support	16,721.4	0.60	-6.7	2.3	0.80	-8.5
BBY	Best Buy Co., Inc.	Downtrend	14,418.1	0.43	-15.1	3.7	1.67	-8.2
RL	Ralph Lauren Corporation Class A	Bullish Reversal	10,692.5	0.79	10.0	0.8	1.80	-7.4

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: Consumer Discretionary Sector

## Macro and Credit Backdrop

**Mortgage Activity Remains Weak:** Despite a modest drop in long-term Treasury yields, **mortgage rates remained elevated around 6.5–6.8%**, limiting affordability and suppressing new mortgage applications. Commentary from **Thor Industries (THO)** highlighted declining consumer confidence and retail pull-through, reinforcing the headwinds faced by discretionary housing-related names.

## Consumer Credit Stress Rising:

**Credit card delinquencies and auto loan defaults continued to tick higher**, with market commentary and Beige Book feedback pointing to increased financial strain among lower-income consumers.

While **Dollar General (DG)** and **Dollar Tree (DLTR)** reported solid Q1 comps and guided cautiously higher, DLTR in particular flagged cost pressures and **tariff-related impacts** on discretionary consumer spend.

Reports of **hollow loans** (consumers increasingly relying on short-term financing to sustain spending) are growing more prevalent, especially in discretionary segments like apparel, casinos, and consumer electronics.

**Housing-Linked Discretionary Spending:** Although **homebuilders** briefly outperformed on interest rate optimism, macro commentary suggested buyer hesitancy remains due to elevated rates and affordability constraints. Travel-adjacent categories like RVs and furnishings saw **slowing order trends**.

## Travel and Leisure: A Brighter Spot

**Strong Leisure Demand:** The sector found support from **resilient travel and entertainment spending**, including continued momentum in payment names and digital experience platforms. **Meta (META)** and others referenced high engagement trends across platforms, indirectly signaling healthy discretionary digital ad budgets.

**Airlines and Cruises Weak:** Despite strong travel demand, airlines, casinos, and cruise operators underperformed. This was partly due to concerns about **rising operating costs** (e.g., oil) and **waning pricing power**, alongside reports of **consumer fatigue and slower booking**

**momentum**.

## Policy and Stimulus Landscape

**Trump Administration Stimulus Uncertainty:** The White House has floated **tax code revisions** as part of a broader reconciliation bill. However, Senate Republicans have pushed back over deficit concerns and tariff structures. The **CBO projects a \$2.4 trillion increase in deficits** from the plan over a decade, raising questions about long-term consumer support capacity.

**Tariffs and Retail Pricing:** The administration's decision to **double tariffs on steel, aluminum, and Chinese goods** has raised input cost concerns for manufacturers and retailers. **PVH (parent of Calvin Klein and Tommy Hilfiger)** explicitly lowered EPS guidance to reflect the **tariff headwinds** and dollar strength. Several companies are working to **mitigate consumer-facing pricing pressures**, but margin compression remains a risk.

**No Direct Consumer Relief Yet:** While some tax relief and rebate rumors are circulating, no major consumer stimulus package has been passed. This leaves **lower- and middle-income consumers exposed** to inflation and interest burdens.

## July 2025 Outlook: Crosscurrents to Watch

**Auto and Housing Sensitivity to Jobs Data:** With the **June NFP report looming**, a soft labor print could signal further consumer retrenchment—particularly in **housing and auto discretionary segments**—as affordability remains tight.

**Tariff Fallout and Input Cost Pass-Throughs:** Analysts will monitor Q2 earnings commentary, particularly from retailers and apparel companies, on how tariffs are being absorbed or passed on. Look for updates from **PVH, TSCO**, and other consumer cyclicals.

**Delinquency Trends and Subprime Exposure:** Any increase in **credit card or auto loan delinquencies** will likely weigh on consumer discretionary valuations—especially those levered to credit access and short-term financing.

- **Earnings Bar Remains High:** Following upside surprises from **FIVE** and **MDB** in the broader discretionary space, investor expectations for **inventory management, pricing discipline, and margin preservation** are elevated heading into July earnings.

# 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) \* 0.2**

*Plus*

**3-Month Excess Total Return (vs. S&P 500) \* 0.5**

*Plus*

**6-Month Excess Total Return (vs. S&P 500) \* 0.3**

# 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.