

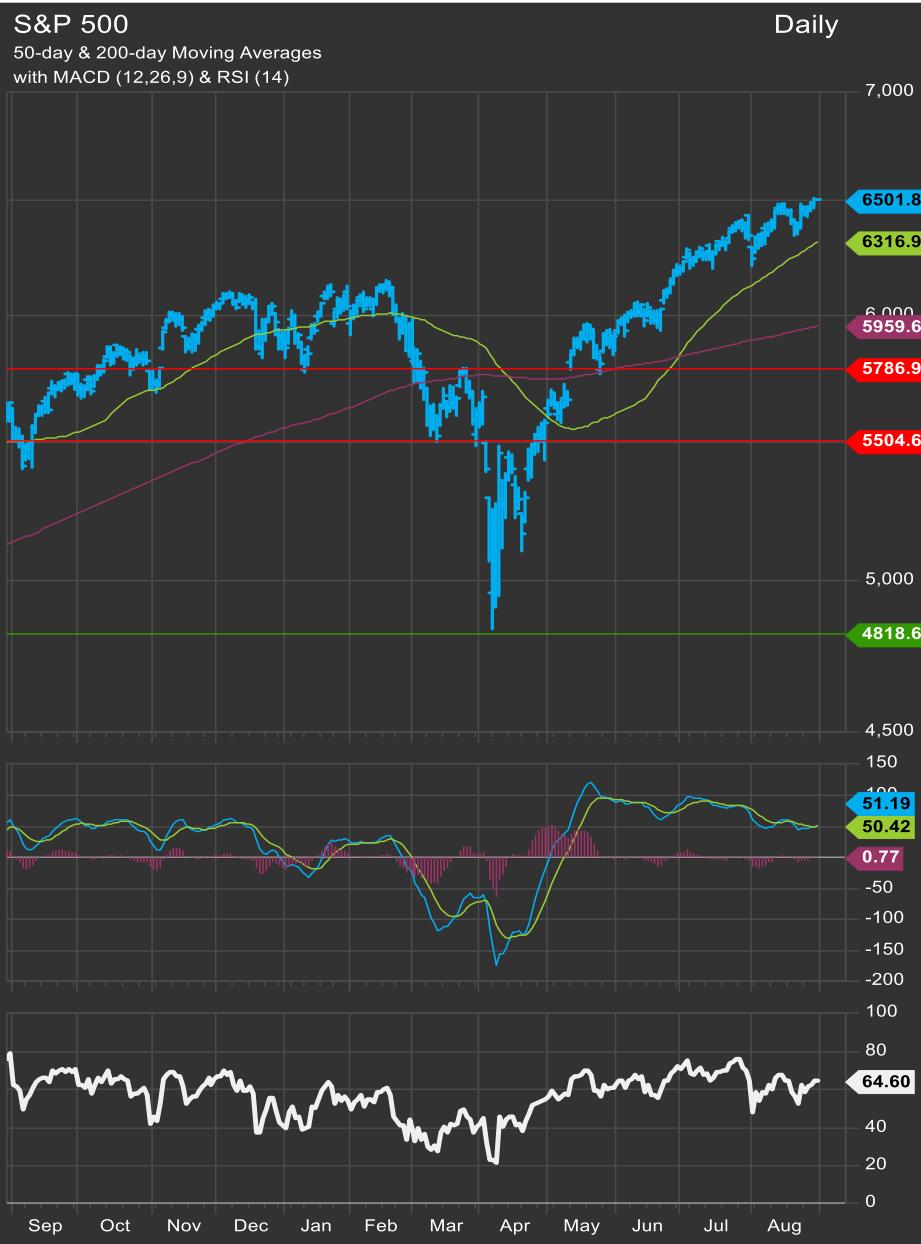
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# Monthly Insights: September Outlook

## S&P 500

Patrick Torbert, CMT  
Editor & Chief Strategist

# Sector Price Action & Performance Review: S&P 500



The S&P 500 continued to print new all-time highs in August despite some rotation at the sector level. Important headlines in August included Powell's dovish Jackson Hole speech which ramped expectations of a rate cuts in the 2<sup>nd</sup> half of the year with 25bps of cuts now expected in September. Fall out from Warren Buffet's entrance into an equity stake for troubled HC provider UNH and homebuilder DHI invigorated the Value trade on a bottom-fishing impulse

From a technical perspective the index has shown some negative momentum divergence on our oscillator studies despite continuing to print all-time highs. At the sector level easing expectations drove rotation into Consumer Discretionary, Energy and Materials sectors as high beta laggards were seen to benefit from the policy change.

The AI trade started to retrace some gains on fears around valuation, emerging Chinese competition and skepticism around monetization.

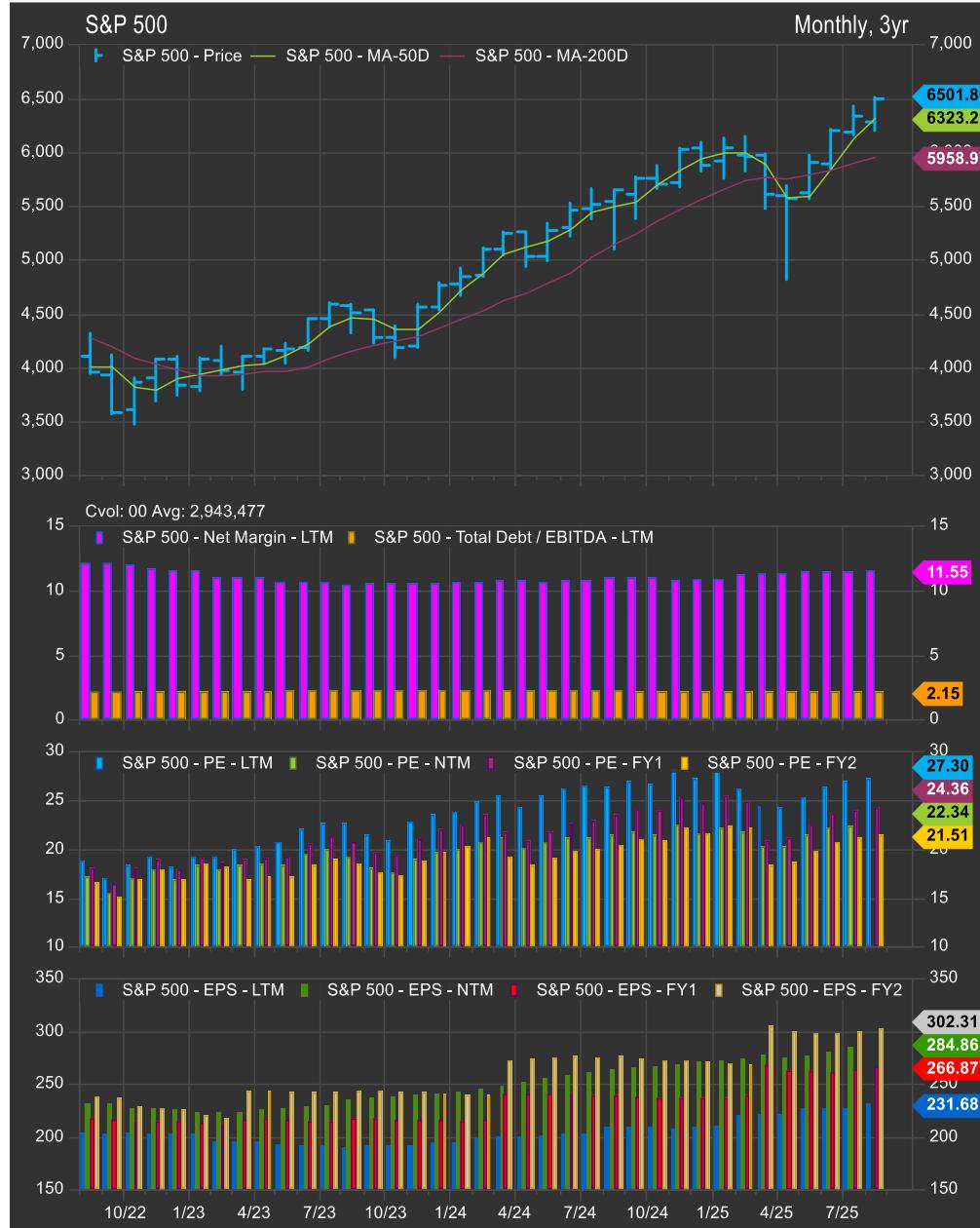
Sentiment around global trade has shifted from optimism to a more cautious tone as Chinese export restrictions dented NVDA earnings (despite an overall strong report) and multi-national bellwether CAT cited earnings headwinds from Tariffs.

We've covered our long position in the VGT this month. Our expectation is that investors will continue taking profits in the near-term as a dovish Fed opens up potential for reflation in other sectors. We also note increased noise around valuation concerns with the Index near overbought conditions.

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

Elev8 Model Positions: September 2025			
	BMK Weight	Elev8 Model	+/-
XLY	10.84%	14.88%	<b>4.04%</b>
VNQ	2.01%	5.00%	<b>2.99%</b>
XLC	9.60%	12.16%	<b>2.56%</b>
XLU	2.39%	4.61%	<b>2.22%</b>
XLF	12.99%	15.16%	<b>2.17%</b>
XLV	9.22%	11.15%	<b>1.93%</b>
XLE	3.09%	4.90%	<b>1.80%</b>
VGT	33.92%	32.14%	<b>-1.78%</b>
XLB	1.91%	0.00%	<b>-1.91%</b>
XLP	5.25%	0.00%	<b>-5.25%</b>
XLI	8.76%	0.00%	<b>-8.76%</b>

# 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 has been better than feared. Valuations have also firmed marginally as a result

While a trailing multiple of 27x is high by historical standards, we tend to be skeptical of longitudinal comparisons that measure the current environment to the past. We would be more concerned if there was a wide valuation spread between sectors, but we note that elevated valuations are fairly widespread without high dispersion

Financials and Energy sectors are the only ones that screen as particularly “cheap”, while low vol. sectors have high near-term valuations due to earnings issues

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



**S&P 500 Sectors** (chart, left): August was marked by a near-term rotation out of Technology shares as concerns about a potential capex bubble in the AI build out came to the fore after an MIT report questioning the profitability of such ventures

Rotation out of Tech benefitted cyclicals stocks primarily as investors positioned for reflation after the Powell's dovish Jackson Hole speech, but the Healthcare sector also bounced on news of Warren Buffet's stake in distressed insurer UNH

**S&P 500 Internals** (chart, right): Rotation away from Tech has coincided with an expansion of market breadth as the AI trade remains concentrated in mega cap. plays...ideally, we'd like to see the series break to new highs, but the long-term bull trend has been characterized by a back and forth between Tech/AI and everything else

Despite jitters over valuation and potential competition, we see strong demand and buying enthusiasm intact for AI and we remain aligned with the long-term bull trend

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

Symbol	Name	GICS Sector 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
TER	Teradyne, Inc.	Information Technology	Consolidation	18,610.0	1.16	24.4	0.3	1.78	28.2
HUM	Humana Inc.	Health Care	Bullish Reversal	35,752.0	0.81	18.6	0.8	0.38	23.3
CHRW	C.H. Robinson Worldwide, Inc.	Industrials	Bullish Reversal	15,122.8	0.97	22.1	1.3	0.88	23.1
GLW	Corning Inc	Information Technology	Bullish Reversal	57,607.6	0.99	24.3	1.1	1.34	19.9
MPWR	Monolithic Power Systems, Inc.	Information Technology	Bullish Reversal	41,489.8	1.81	20.6	0.5	1.39	19.6
HCA	HCA Healthcare Inc	Health Care	Bullish Reversal	94,779.1	0.59	7.6	0.5	1.08	19.6
INCY	Incyte Corporation	Health Care	Bullish Reversal	16,567.2	0.51	16.7	0.0	1.04	19.3
INTC	Intel Corporation	Information Technology	Consolidation	108,768.5	2.01	10.4	0.1	1.72	18.5
GNRC	Generac Holdings Inc.	Industrials	Bullish Reversal	10,971.8	0.89	29.7	0.0	1.76	17.6
CVS	CVS Health Corporation	Health Care	Bullish Reversal	91,230.7	0.42	10.0	2.4	0.47	16.9

Bottom-fishing was a theme in August as Berkshire Hathaway, the US government and several other investors got involved in taking equity stakes in beaten down stocks

As a result, HC Providers show up on the leader board on a halo effect from the UNH bid while some high beta cyclicals continue to outperform on AI driven demand for networking, grid modernization and alt energy conversion

On the downside we're seeing mean-reversion in some high-profile bullish reversals (COIN, SMCI) along with free-falling Healthcare laggards (ALGN, MRNA and BAX)

Symbol	Name	GICS Sector 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
TTD	Trade Desk, Inc. Class A	Communication Services	Support	23,464.4	2.13	-40.0	0.0	1.16	-40.4
ALGN	Align Technology, Inc.	Health Care	Downtrend	10,291.6	0.54	-31.9	0.0	1.88	-32.5
IT	Gartner, Inc.	Information Technology	Support	18,658.3	0.78	-49.2	0.0	1.05	-32.5
MRNA	Moderna, Inc.	Health Care	Downtrend	9,765.9	#N/A	-22.5	0.0	1.26	-28.1
FTNT	Fortinet, Inc.	Information Technology	Retracement	59,868.4	1.17	-33.4	0.0	0.88	-27.0
COIN	Coinbase Global, Inc. Class A	Financials	Bullish Reversal	66,477.7	1.65	3.7	0.0	3.57	-22.7
SMCI	Super Micro Computer, Inc.	Information Technology	Bullish Reversal	26,713.6	0.67	-8.3	0.0	1.73	-19.4
VRTX	Vertex Pharmaceuticals Incorporated	Health Care	Retracement	99,756.5	0.79	-22.8	0.0	0.50	-18.7
CARR	Carrier Global Corp.	Industrials	Consolidation	57,520.6	0.82	-14.4	0.9	1.30	-17.8
BAX	Baxter International Inc.	Health Care	Downtrend	12,599.1	0.39	-28.4	2.4	0.78	-17.6

## 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

## **Fed Policy & Rates:**

Powell's Jackson Hole speech leaned more dovish than expected, noting rising downside risks to employment.

Market pricing ~55 bp of cuts in 2025; September cut probability back above 80–90%.

## **Inflation & Tariffs:**

Core PCE inflation running at 0.3% m/m in July, up 2.9% y/y.

Tariff costs remain a headline risk: new Section 232 measures flagged; furniture probe launched; services inflation stickier.

Companies increasingly discussing pass-through of tariff costs in Q2 earnings.

## **Housing & Credit:**

July new home sales 652K, just above consensus but soft sequentially; pending home sales weaker.

Mortgage rates eased to ~6.6%, lowest in 10 months.

Credit delinquencies creeping up, with concerns about consumer stress in lower-income households.

## **Labor Market:**

Initial claims trending up, continuing claims near late-2021 highs.

July payrolls weaker than expected, sparking debate about labor softening.

## **Bullish Themes**

Dovish tilt from Powell lifted rate cut expectations.

Strong breadth into late August, with small caps and cyclicals rallying on easing expectations.

AI/SECULAR tech investment cycle remains intact.

Mortgage rate declines could stabilize housing activity.

Retail resilience: comps solid at Walmart, Home Depot, Lowe's; off-price outperforming.

## **Bearish Themes**

Tariff-driven inflation risks mounting (furniture, steel, aluminum, consumer goods).

Credit deterioration in consumer segment.

Rising delinquencies and weak payrolls highlight labor market fragility.

Valuations stretched with S&P at new ATH above 6,500.

AI capex bubble, monetization questions, and China competition risks.

Seasonality — September historically weaker, with systematic positioning extended long.

## **Outlook for September**

**Macro:** August NFP, ISM manufacturing/services, and PCE inflation critical to Fed's September decision.

**Policy:** Market expects 25 bp cut; rhetoric around tariffs and Fed independence to remain high-profile.

**Earnings:** Q3 pre-announcements may pick up, with AI, retail, and industrials in focus.

**Risks:** Tariff escalations, political interference in Fed governance (Cook lawsuit), and global liquidity pressures from higher JGB yields.

**Seasonality:** September headwinds loom, though breadth improvements in August may cushion downside.

# 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.