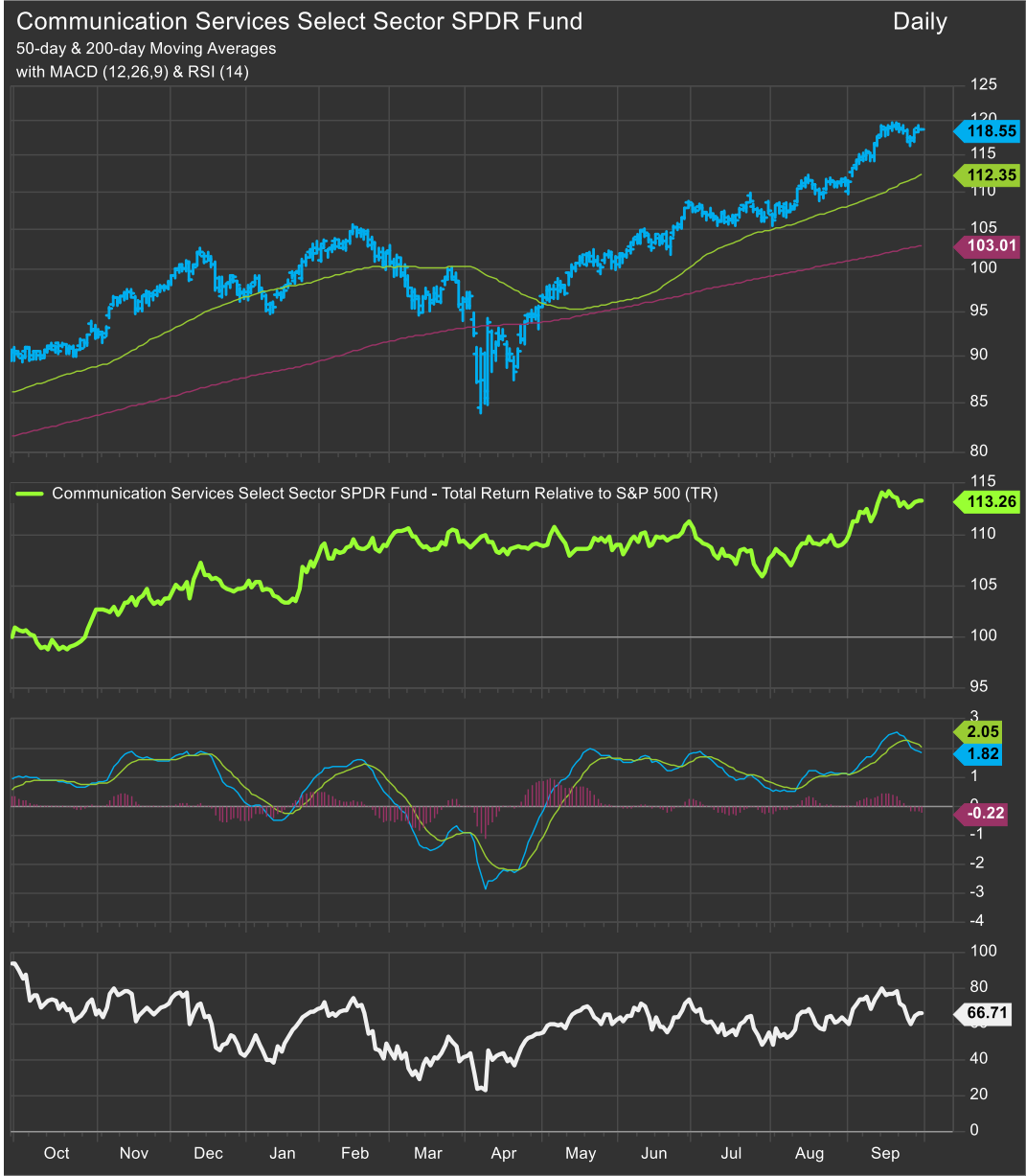


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Monthly Insights: October Outlook
Communication Services Sector

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Sector Price Action & Performance Review: Communication Services Sector



The S&P 500 Communication Services broke out to new highs in September in both absolute and relative terms. Oscillator studies are pulling back from near-term overbought conditions while the price action remains bullish.

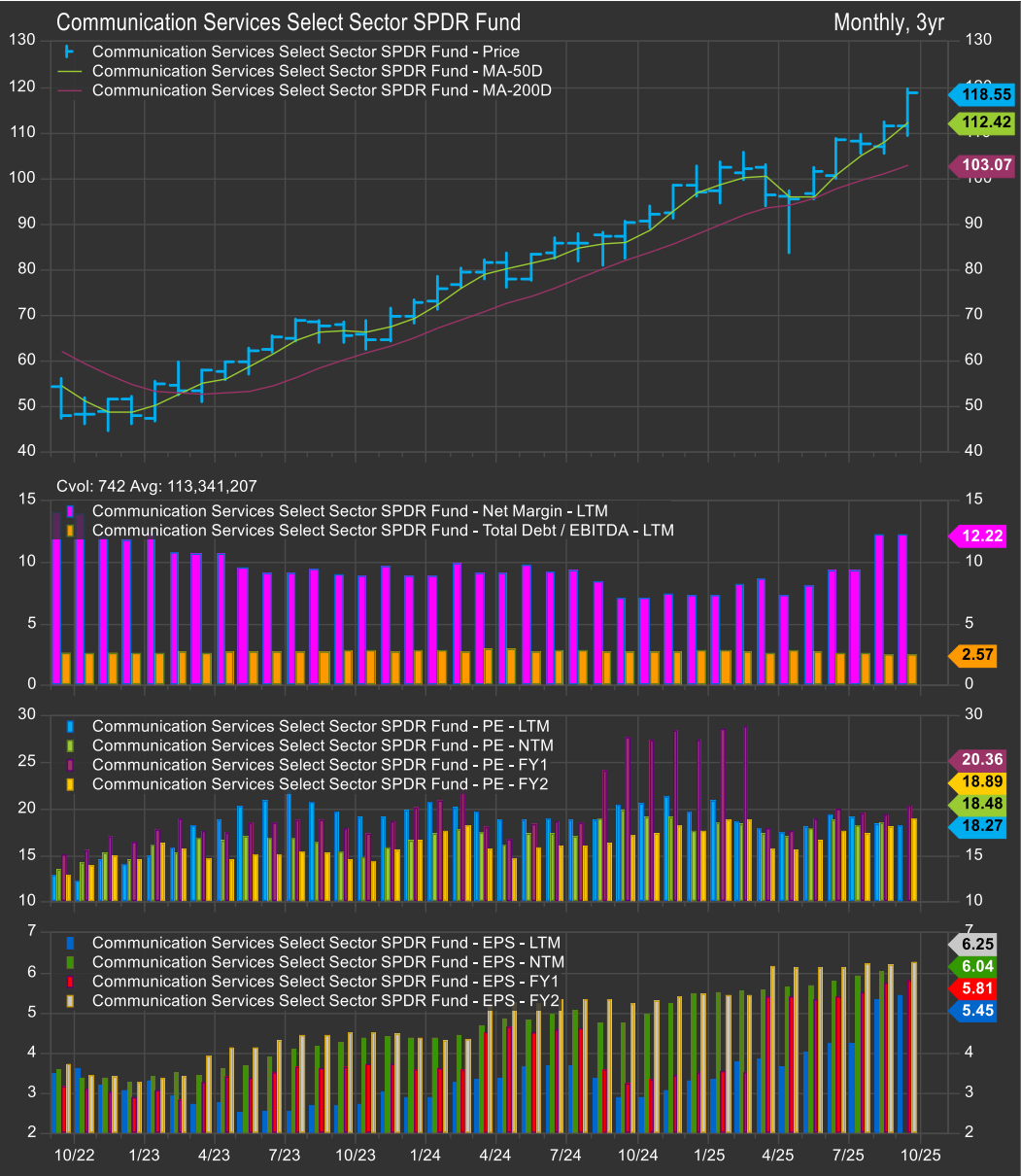
From a technical perspective, Fed easing has triggered a bullish rotation into Growth exposures that has benefitted the sector. This has been supported by strong operating results which have been boosted by AI tailwinds. Hyper-scalers Alphabet Co. and META are seeing increased demand with the former outperforming the S&P 500 by >10% during the month.

Advertising is a potential concern for the sector as tariffs could complicate cross border licensing agreements. Economic softness also foreshadows potential concern as ad sales typically take a hit in late cycle and recessionary environments. For the present, these concerns have been assuaged by resilience in digital ad trends and social engagement. For example, META reported 3 billion monthly users on IG.

In the near-term, strong stock level performance, a supportive Fed and a resilient consumer have us taking a constructive view. Risks remain in the conceptual realm at present. Inflation prints remain important as the current bull narrative relies on a supportive Fed and continued muted impacts from tariff implementation.

We start October long the Communication Services Sector with an **OVERWEIGHT allocation of **+3.15%** in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

Fundamentals: Communication Services Sector

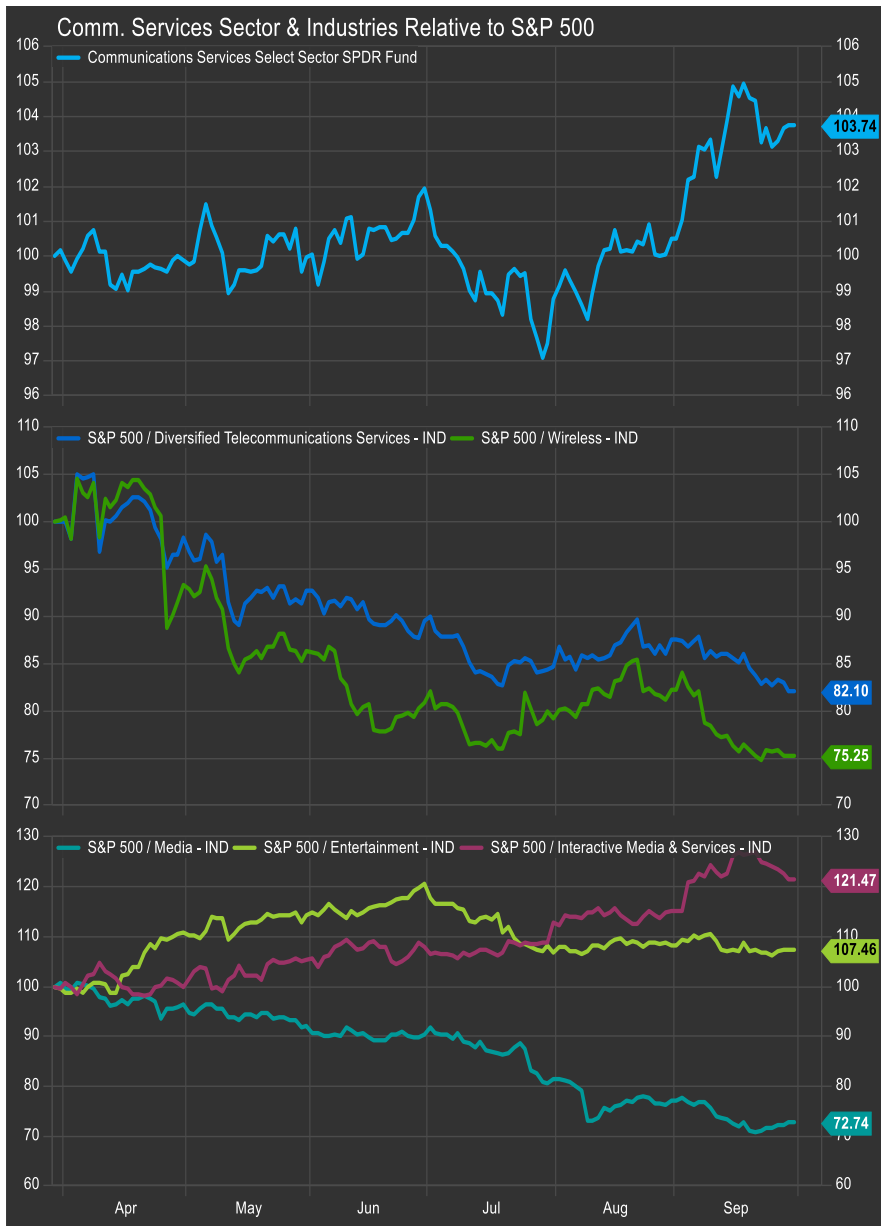


The chart (left) shows S&P 500 Communication Services Sector Margins, Debt/EBITDA, Valuation and Earnings

Net Margins gains stayed firm through September (chart, panel 2).

FY1 and FY2 Earnings projections were raised in the most recent quarter (panel 4), while forward P/E has contracted accordingly (panel 3) leaving the sector trading at a discount to the S&P in both present and forward terms.

Industry/Sub-Industry Performance and Breadth: Communication Services Sector



Communication Services Industries (chart, left): The sector continued to make gains vs. the S&P 500 in September with the Interactive Media industry doing all the heavy lifting

Entertainment stocks have stabilized after a July correction, but DIS remains under some pressure.

Media and Legacy Telecom stocks continue to lag.

Communication Services Sector Internals (chart, right): Internal trends remained stable in September with a surge in upside participation (bottom panel, advancers) as we near month end.

This is one of the stronger readings at the sector level and highlights that narrow participation is an ongoing dynamic of this bull market

Stock Level Performers: Communication Services 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
WBD	Warner Bros. Discovery, Inc. Series A	Bullish Reversal	48,302.3	#N/A	63.9	0.0	1.87	59.5
PSKY	Paramount Skydance Corporation Class B	Bullish Reversal	20,143.2	0.60	38.8	0.6	1.50	26.8
GOOGL	Alphabet Inc. Class A	Bullish Reversal	2,776,310.5	0.95	27.5	0.1	0.89	14.3
GOOG	Alphabet Inc. Class C	Bullish Reversal	2,776,310.5	0.95	27.5	0.2	0.89	14.2
EA	Electronic Arts Inc.	Bullish Reversal	48,377.6	0.89	13.5	0.2	0.73	10.8
TTWO	Take-Two Interactive Software, Inc.	Bullish Reversal	47,246.5	1.76	1.5	0.0	0.75	6.7
TKO	TKO Group Holdings, Inc. Class A	Uptrend	16,348.5	1.71	5.3	0.3	0.85	2.8
CHTR	Charter Communications, Inc. Class A	Support	37,354.1	0.26	-28.6	0.0	1.29	1.4
NWSA	News Corporation Class A	Consolidation	17,802.9	1.15	-2.6	0.4	1.21	1.4
FOXA	Fox Corporation Class A	Bullish Reversal	25,864.0	0.56	-1.1	0.6	0.66	1.0
FOX	Fox Corporation Class B	Bullish Reversal	25,864.0	0.51	-2.8	0.7	0.72	0.0
OMC	Omnicom Group Inc	Support	14,926.3	0.34	-4.6	2.5	0.77	-2.3
IPG	Interpublic Group of Companies, Inc.	Consolidation	9,651.1	0.34	-3.0	3.3	0.98	-2.3
VZ	Verizon Communications Inc.	Consolidation	183,873.9	0.36	-6.4	4.2	0.46	-3.0
META	Meta Platforms Inc Class A	Uptrend	1,613,165.8	1.01	-2.3	0.2	1.25	-3.2
NWS	News Corporation Class B	Consolidation	17,802.9	1.27	-6.4	0.4	1.20	-3.2
NFLX	Netflix, Inc.	Uptrend	514,420.1	1.58	-7.5	0.0	1.21	-4.0
MTCH	Match Group, Inc.	Bullish Reversal	8,720.1	0.56	3.8	1.1	1.44	-4.5
T	AT&T Inc	Consolidation	202,427.4	0.52	-7.9	2.6	0.73	-4.5
LYV	Live Nation Entertainment, Inc.	Bullish Reversal	37,527.2	2.75	0.3	0.0	1.32	-5.2
DIS	Walt Disney Company	Consolidation	204,011.6	0.70	-10.1	0.6	1.71	-5.8
TMUS	T-Mobile US, Inc.	Consolidation	267,253.2	0.78	-11.4	1.0	0.60	-7.2
CMCSA	Comcast Corporation Class A	Downtrend	116,817.2	0.29	-17.3	2.8	0.98	-7.8
TTD	Trade Desk, Inc. Class A	Support	21,008.7	1.87	-32.2	0.0	1.51	-17.1

Streamers (WBD, PSKY) surged in September while Alphabet corp. broke out on upbeat hyper-scaler demand. EA was taken private in a buyout while TTWO was up in sympathy

On the laggard side advertising concerns hit TTD and CMCSA while DIS and TMUS also are in correction mode.

Ma Bell also is showing signs of buyer fatigue after a strong run from the back half of 2024 through the March 2025 correction

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: Communication Services Sector

The Communication Services sector was at the center of September's **policy and tariff headlines**. President Trump announced plans for a **100% tariff on foreign films**, a direct risk to major media names like Netflix and Warner Bros. Discovery, both of which traded lower on the news. Trump's broader tariff push extended across industries — including furniture, heavy trucks, and pharmaceuticals — but the foreign film announcement represented a rare direct shot at the U.S. media complex. Reports also surfaced that Switzerland agreed not to manipulate its currency as part of negotiations with Washington and even offered to invest in U.S. gold refining to ease a 39% tariff — highlighting how tariffs are reshaping trade relationships globally. At the same time, China's Commerce Ministry condemned U.S. export-control measures, calling them “unreasonable oppression of Chinese firms.” The tension adds risk to Communication Services companies reliant on global advertising and distribution, particularly those exposed to **China tech and cross-border content licensing**.

Earnings and Company Developments

Meta Platforms (META): CEO Mark Zuckerberg disclosed that **Instagram now has 3B monthly active users**, cementing its global leadership in social media engagement and monetizable scale.

Netflix (NFLX): Stock came under pressure after Trump's tariff pledge on foreign films, which could disrupt international content sourcing and distribution economics.

Warner Bros. Discovery (WBD): Similarly sold off on the 100% tariff threat, given its deep international content library.

Electronic Arts (EA): Agreed to be taken private in a **\$55B deal** by Silver Lake, Saudi Arabia's PIF, and Affinity Partners, at ~\$210/sh (an ~8.6% premium to the prior close), following a 25% pre-announcement rally. This underscored the strategic value of content IP and gaming franchises.

Etsy (ETSY) and Shopify (SHOP): Partnered with OpenAI to launch an **Instant Checkout** feature for ChatGPT, highlighting how AI integration is reshaping e-commerce and adjacent advertising/payment models. ETSY stock surged **15.8%** on the announcement.

Adobe (ADBE): Downgraded at Morgan Stanley on concerns that its AI monetization is lagging peers, raising questions about the speed of recurring revenue growth from new tools.

Sector Trends

Advertising trends have remained generally healthy, supported by resilient consumer spending — August personal spending grew **0.6% m/m**, stronger than expected — but macro headwinds are creeping in. **Retail seasonal hiring is projected to fall 8% y/y to the lowest level since 2009**, raising questions about ad budgets into the holiday season. Within gaming, EA's premium buyout valuation reinforced the view that interactive entertainment is one of the most defensive and monetizable corners of the sector. Social media platforms, led by Meta, are showing strong engagement, though skepticism persists around ROI from AI investment and potential scrutiny of vendor-financing “circularity” in the AI ecosystem.

Outlook

The sector enters October with a complicated backdrop. Policy risk remains high, with tariffs on foreign films set to test multinational content economics, and the possibility of a government shutdown that would delay key economic data releases. Fed commentary in late September (Williams, Musalem, Hammack) emphasized caution on future cuts and lingering inflation risks, leaving rates volatility an ongoing macro overhang. Yet digital advertising fundamentals remain solid, gaming demand resilient, and e-commerce platforms continue to find new ways to integrate AI. Large-cap Communication Services stocks will likely remain volatile in October, but secular drivers in **digital advertising, social engagement, and gaming IP** provide long-term support.

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 > 10% above 50-day m.a.

Oversold = Stock price > 10% below 50-day m.a.