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Monthly Insights: October Outlook

S&P 500

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Sector Price Action & Performance Review: S&P 500



The S&P 500 continued to print new all-time highs in September with investors demonstrating a high level of risk appetite. Growth and high beta exposures led the tape as the Technology Sector rebounded from a soft August and led equities higher.

From a technical perspective, the S&P 500 is consolidating overbought conditions, and we are seeing some signs of negative momentum divergence in the near-term. However, the price structure remains bullish, and we think the accumulation zone for any index level pullbacks is likely to happen above February highs at the 6147 level. Our year end price target is 6800.

From a macro and policy perspective the AI trade continues to flourish despite continued concerns about economic growth, housing affordability, increased cost from tariffs and the potential for inflation. Investors are betting on the Fed to support the economy with policy easing and are treating soft eco data as a bullish development in the near-term. Share buybacks, credit expansion, lower mortgage rates and AI infrastructure demand are seen as key bullish catalysts. On the bearish side of the ledger, skepticism around AI demand vs. monetization, a struggling consumer, higher input and labor costs and stubbornly high rates are seen as potential headwinds.

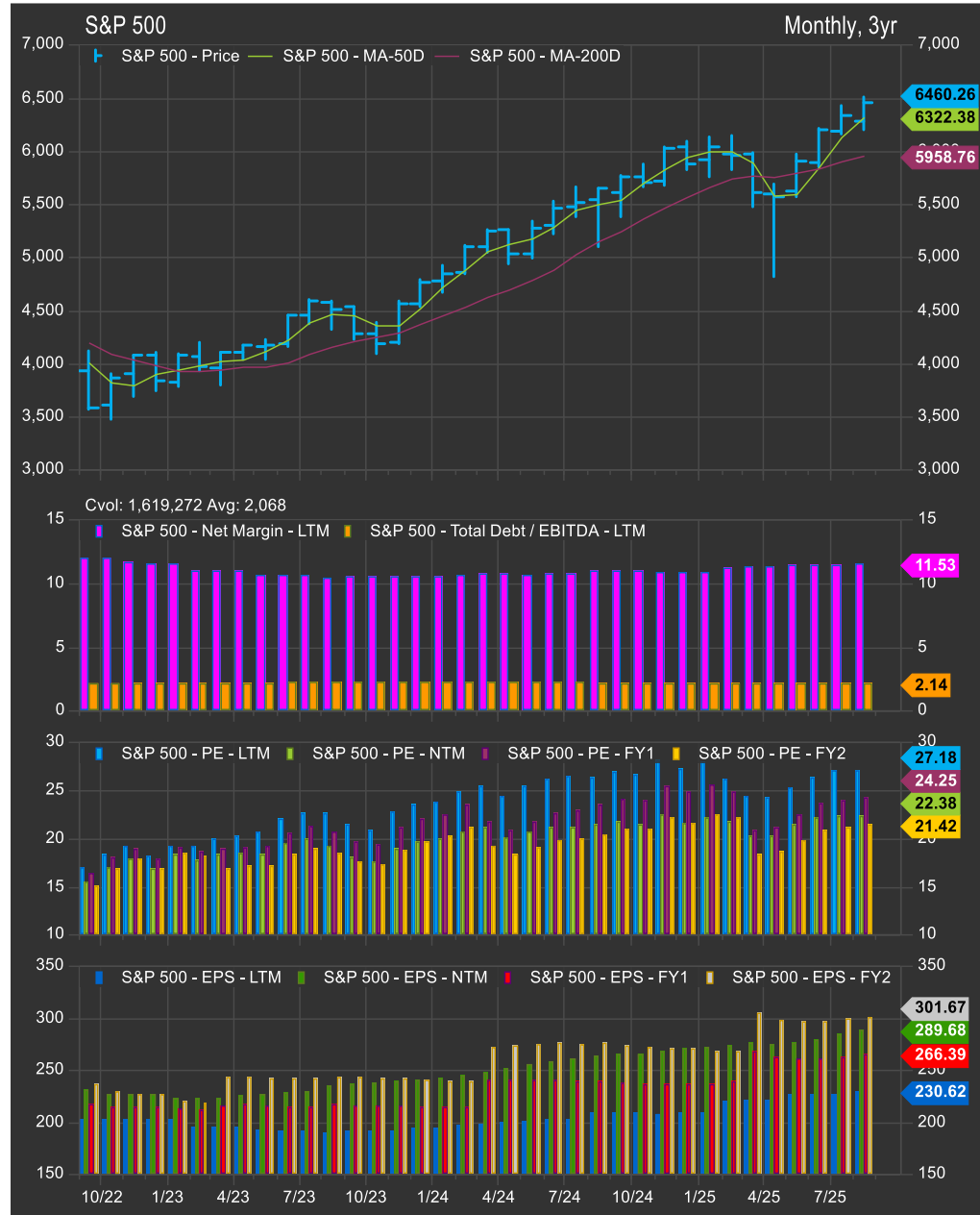
While we understand the reasons for skepticism, buying enthusiasm for AI and Growth themes remain undiminished against the backdrop of a supportive Fed and a consumer that is showing plenty of willingness to buy stocks. We remain aligned with the dominant long-term bull trend.

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

Elev8 Model Positions: October 2025

	BMK Weight	Elev8 Model	+/-
VGT	33.49%	39.59%	6.10%
XLC	10.52%	13.68%	3.15%
XLY	10.79%	12.74%	1.95%
XLI	8.41%	9.49%	1.08%
XLF	13.85%	14.30%	0.46%
VNQ	1.98%	2.42%	0.44%
XLU	2.37%	4.58%	2.21%
XLE	2.99%	3.20%	0.21%
XLB	1.80%	0.00%	-1.80%
XLV	8.81%	0.00%	-8.81%
XLP	4.99%	0.00%	-4.99%

Fundamentals: S&P 500



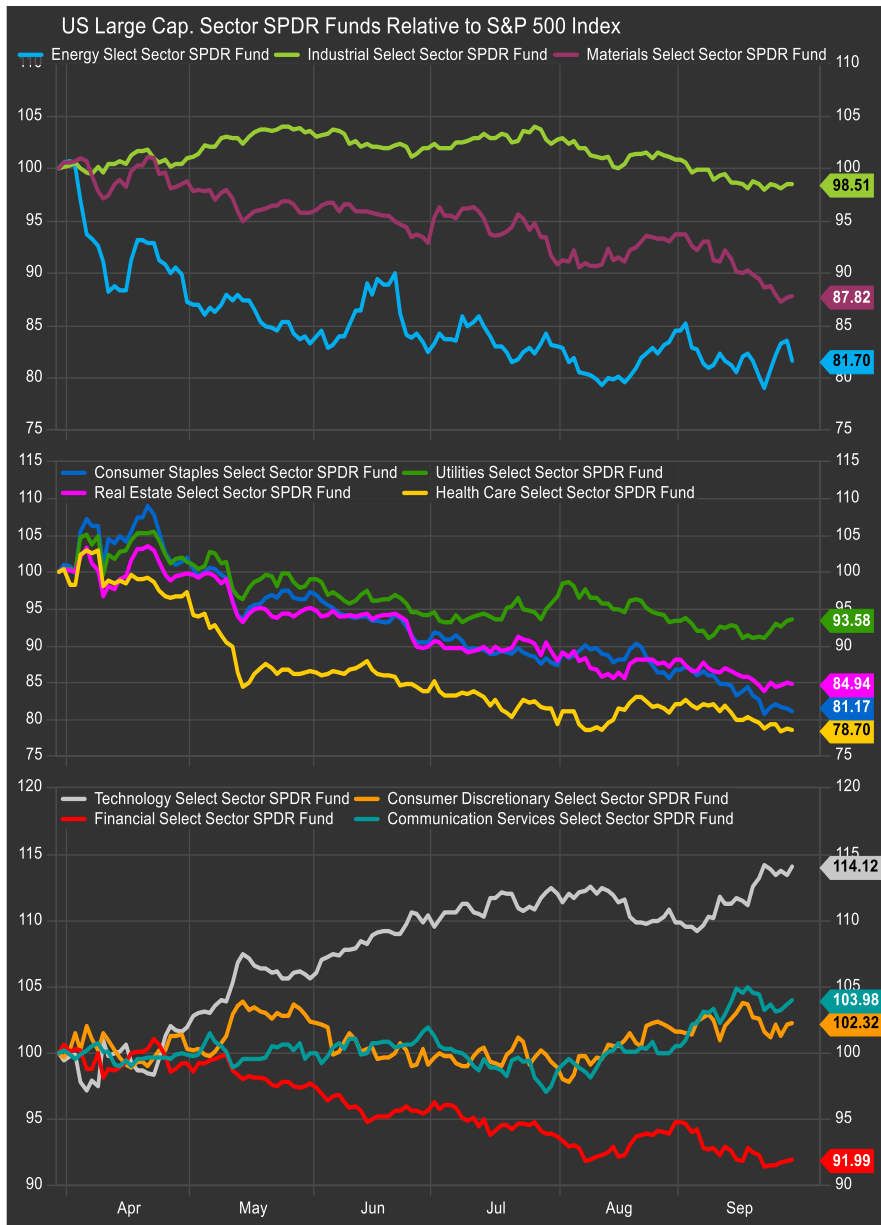
The chart (left) shows S&P 500 Margins, Debt/EBITDA, Valuation and Earnings

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 wide-spread 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): The Information Technology Sector (bottom panel) roared back in September after an August pullback. Comm. Services and Discretionary stocks were also gainers on the month.

Low vol. sectors, Industrials and Materials were laggards in September along with Financials as the Growth trade flourished with rates moving lower and investor risk appetite remaining firm.

S&P 500 Internals (chart, right): As investors move back into technology shares, the S&P 500's internal strength measures have deteriorated with the % of stocks above their 50-day moving average series breaching the 50% level recently while 60% of constituents are still above their 200-day moving average. We note a pick up in small cap. strength, but we are growing concerned that participation in the uptrend is narrowing despite falling rates and a dovish Fed.

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
WBD	Warner Bros. Discovery, Inc. Series A	Communication Services	Bullish Reversal	48,302.3	#N/A	63.9	0.0	1.87	59.5
INTC	Intel Corporation	Information Technology	Bullish Reversal	165,794.3	2.64	43.6	0.1	1.72	40.1
APP	AppLovin Corp. Class A	Information Technology	Uptrend	206,073.3	2.11	82.4	0.0	2.20	36.2
WDC	Western Digital Corporation	Information Technology	Uptrend	37,079.0	0.63	67.8	0.3	2.07	28.1
PSKY	Paramount Skydance Corporation Class B	Communication Services	Bullish Reversal	20,143.2	0.60	38.8	0.6	1.50	26.8
MU	Micron Technology, Inc.	Information Technology	Bullish Reversal	176,004.8	0.40	28.8	0.2	1.66	26.6
TSLA	Tesla, Inc.	Consumer Discretionary	Bullish Reversal	1,464,396.4	7.70	31.0	0.0	1.54	25.0
STX	Seagate Technology Holdings PLC	Information Technology	Uptrend	46,322.5	0.79	57.6	0.9	1.67	23.9
LRCX	Lam Research Corporation	Information Technology	Bullish Reversal	161,828.3	1.11	30.1	0.5	1.87	21.2
AMAT	Applied Materials, Inc.	Information Technology	Bullish Reversal	162,451.3	0.86	12.5	0.5	1.60	21.1

The Tech Sector re-established its leadership status with a broadening of upside participation at the stock level

Hard drive makers STX and WDC were notable gainers as were legacy semiconductor plays MU, LRCX and AMAT and streaming service providers WBD and PSKY

On the downside, Base Metals, Building Products and a mix of Consumer stocks were on the double-digit decline list

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
KMX	CarMax, Inc.	Consumer Discretionary	Downtrend	6,732.2	0.48	-41.5	0.0	1.79	-30.1
FDS	FactSet Research Systems Inc.	Financials	Downtrend	10,952.2	0.67	-39.5	1.1	0.79	-25.0
SNPS	Synopsys, Inc.	Information Technology	Consolidation	90,600.8	1.40	-13.9	0.0	0.97	-22.6
KVUE	Kenvue, Inc.	Consumer Staples	Downtrend	31,511.1	0.60	-30.8	3.4	0.78	-22.4
FCX	Freeport-McMoRan, Inc.	Materials	Support	51,328.9	0.81	-24.8	1.1	1.41	-21.7
STZ	Constellation Brands, Inc. Class A	Consumer Staples	Downtrend	23,353.5	0.44	-27.8	2.0	0.56	-19.0
BLDR	Builders FirstSource, Inc.	Industrials	Retracement	13,066.6	0.70	-13.8	0.0	1.48	-18.0
DLTR	Dollar Tree, Inc.	Consumer Staples	Bullish Reversal	19,389.2	0.62	-9.0	0.0	0.99	-17.8
TTD	Trade Desk, Inc. Class A	Communication Services	Support	21,008.7	1.87	-32.2	0.0	1.51	-17.1
HUM	Humana Inc.	Health Care	Consolidation	30,663.3	0.71	-10.6	1.0	0.42	-16.4

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: S&P 500

Federal Reserve: September's 25 bp cut reinforced the Fed's pivot back toward easing, but commentary revealed deep dispersion inside the FOMC. Governor Miran argued policy is more restrictive than generally acknowledged and floated the possibility of 50 bp moves, calling the neutral rate closer to the mid-2% range. By contrast, Goolsbee and Daly warned against front-loading cuts, citing inflation risks. Bowman reiterated concerns about labor market fragility, while Powell struck a balance, noting upside risks to inflation but downside risks to employment. Markets reacted by dialing back some of their earlier aggressive easing bets, now pricing in ~40 bp of cuts for 2025 and ~75 bp more in 2026.

Economic data: Resilience was the theme. August core PCE rose 0.2% m/m and held steady at 2.9% y/y, fully in line with expectations. Personal spending (+0.6%) and income (+0.4%) showed consumers still healthy, supported by a solid labor market. Jobless claims normalized after the Texas spike, with continuing claims improving as well. GDP growth for Q2 was revised sharply higher to 3.8% SAAR, driven by stronger consumption. Housing data was a bright spot: new home sales surged to their fastest pace since January 2022, while existing home sales also beat expectations. Flash PMIs were mixed, with services showing softness in demand and employment, while manufacturing output and orders weakened; the Richmond Fed index dropped deeper into contraction.

Tariffs & trade: Trade policy re-emerged as a central market theme. Trump announced tariffs on heavy trucks (25%), select housing products (50%), upholstered furniture (30%), and branded drugs (100% unless manufactured in the U.S.). He also ordered new Section 232 investigations into robotics, medical devices, and industrial machinery, signaling trade protection is broadening beyond China. A speculative report suggested the administration may even push foreign semiconductor producers to match imports with U.S. production, a policy that could reshape global supply chains if enacted. Markets initially saw relative beneficiaries (domestic truck and cabinet makers) but flagged risks for consumer discretionary, pharma, and globally exposed tech hardware.

Consumer sentiment & spending: The University of Michigan survey dipped to 55.1 in September, though inflation expectations edged lower (1-year at 4.7%, 5-year at 3.7%). The report noted 44% of households cited high prices eroding finances—the highest in a year. Yet hard data continues to show resilient consumer behavior, with retail sales surprising to the upside and strength in categories like food services and online spending.

Government shutdown risk: The September 30 deadline loomed large, with OMB instructing agencies to prepare not just for furloughs but for potential permanent cuts. Markets, however, largely dismissed the risk as temporary noise. Concern centered more on the possibility of delayed data releases and the economic drag from mass firings if implemented.

Credit markets: September saw a surge in issuance. U.S. investment-grade supply surpassed \$190B, one of the heaviest months on record, while high-yield issuance hit a record high for September. Strong capital-markets activity underscored supportive liquidity and investor demand, providing another cushion for equities even as rates rose.

Geopolitics: Tariff headlines and U.S.-China tech rivalry dominated, but Trump's pivot on Ukraine—suggesting it could win back territory—added uncertainty to U.S. policy stance. Energy markets also reflected heightened geopolitical tensions, with crude rallying over 5% for the week of Sept 26, its largest gain since June.

Earnings & Market Dynamics

Earnings revisions breadth turned positive for the first time in months, with the Street now looking for ~8% S&P 500 earnings growth in Q3. Strong reports from Costco and Micron showed consumer resilience and AI demand, though Micron's muted reaction highlighted high expectations. CarMax's weak results flagged pressure in auto credit and demand, while Marvell's buyback underscored capital return as a key theme.

Overall, earnings supported the narrative of a resilient consumer, ongoing AI investment, and selective weakness in housing-linked and discretionary categories.

Outlook for October 2025

Catalysts: JOLTs (10/1), ISM manufacturing (10/2), ISM services and nonfarm payrolls (10/3), followed by CPI and PPI mid-month. Q3 earnings season begins mid-October, providing a test of whether revisions momentum holds.

Bullish case: Fed easing, resilient consumer spending, and robust credit markets reinforce the “run it hot” narrative. Positive seasonality and record capital-markets activity also add 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 > 15% above 50-day m.a.

Oversold = Stock price > 15% below 50-day m.a.