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Monthly Insights: November Outlook

Materials Sector

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Sector Price Action & Performance Review: Materials



The Materials Sector ends August at fresh 52-wk lows vs. the S&P 500. During the past year the sector has lagged by >20%

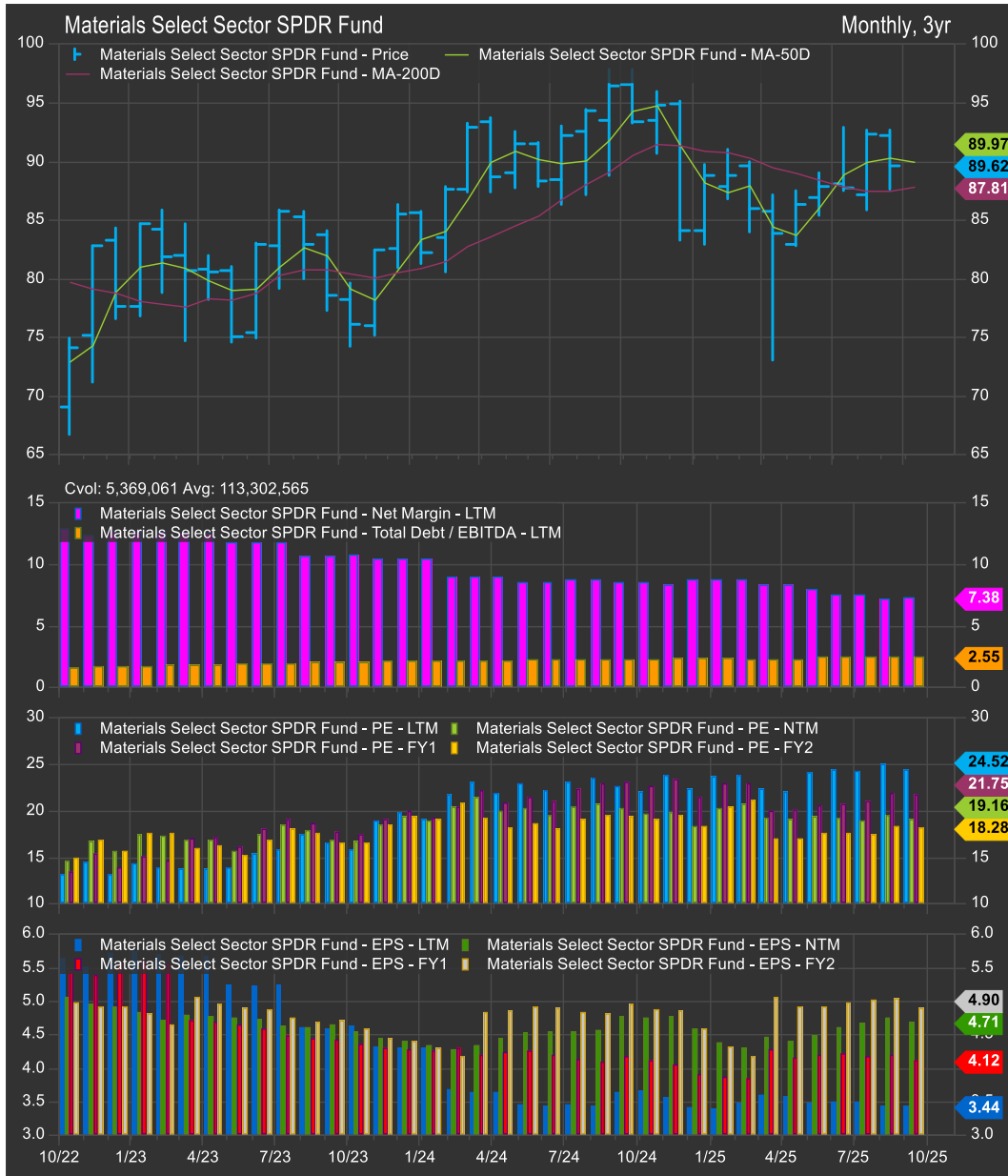
From a technical perspective the sector is showing an oversold condition in the near-term, but the longer-term downtrend vs. the S&P 500 is a bad setup and represents widely understood pessimism about the sector and its prospects. When oscillator studies like the RSI and MACD (chart, panels 3 & 4) can go months without hitting overbought levels, that signals a severe lack of buyer interest.

From a fundamental perspective we continue to see margin and volume pressures negatively effecting results in the Chemicals and Packaging industries. Base metal miners have been caught in the global trade volatility and, this month, precious metal miners saw some profit-taking after a big run up in stocks like NEM.

Trade policy and tariff implementation continues to affect the sector in a negative way as policy has raised costs while also depressing demand, particularly in overseas markets. Legacy operating companies within the Materials Sector are vulnerable in the current backdrop. These sectors operate in tight margin businesses with lots of competition. Given the enthusiasm around AI and the headwind from tariffs, the Materials sector remains challenged as the calendar flips to November. Unlike lower vol. sectors which historically have a high likelihood of outperforming in a market correction, commodities linked sectors like Materials and Energy aren't as suitable as a hedge against downside risk

We start November out of the Materials Sector with an UNDERWEIGHT allocation of -1.69% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

Fundamentals: Materials Sector



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

Margins continue to contract (chart, panel 2) While debt to EBITDA continues to tick higher.

Valuation (chart, panel 3) has become elevated in the near-term relative to historical levels and is higher than average in out years as well, though consensus forward earnings expectations are showing some improvement (panel 4)

Overall, poor operating results aren't providing the value that Value investors need to maintain interest in the sector. This has been an ongoing concern. We continue to view the Materials sector as structurally challenged given a persistent inflationary backdrop despite sagging industrial production and manufacturing numbers.

Industry/Sub-Industry Performance and Breadth: Materials



Materials Industries (chart, left): Relative to the S&P 500 the Materials Sector nose-dived again in October...strength in metals & mining concerns was sold while the Chemical and Packaging Industries remain tape-bombs in relative terms

Materials Sector Internals (chart, right): Internal trends remained weak in October with less than half of the stocks in the sector above their 200-day moving average and less than 33% above their 50-day m.a.

Top 10/Bottom 10 Stock Level Performers: Materials

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
STLD	Steel Dynamics, Inc.	Bullish Reversal	23,872.3	0.54	15.0	0.8	1.59	14.6
FCX	Freeport-McMoRan, Inc.	Consolidation	60,575.3	0.85	-4.2	1.0	1.49	10.5
NUE	Nucor Corporation	Bullish Reversal	35,447.2	0.59	5.3	1.0	2.06	10.4
ALB	Albemarle Corporation	Bullish Reversal	11,509.4	18.22	25.5	1.1	1.98	9.0
AVY	Avery Dennison Corporation	Consolidation	13,619.4	0.69	-5.1	1.4	0.96	6.3
DOW	Dow, Inc.	Downtrend	17,669.7		-10.7	5.6	0.87	5.1
DD	DuPont de Nemours, Inc.	Consolidation	34,401.8	0.72	2.6	1.3	1.14	3.1
IFF	International Flavors & Fragrances Inc.	Downtrend	16,217.8	0.57	-20.0	1.7	0.95	0.3
SHW	Sherwin-Williams Company	Downtrend	85,704.2	1.12	-8.6	0.6	1.39	-2.7
MLM	Martin Marietta Materials, Inc.	Bullish Reversal	37,204.0	1.16	-2.7	0.4	0.98	-4.2
AMCR	Arcor PLC	Downtrend	18,466.9	0.39	-21.1	4.3	0.83	-5.2
EMN	Eastman Chemical Company	Downtrend	7,014.0	0.37	-23.8	3.7	1.32	-6.0
VMC	Vulcan Materials Company	Consolidation	38,972.7	1.23	-3.0	0.5	0.94	-6.2
BALL	Ball Corporation	Downtrend	13,003.3	0.49	-22.2	1.1	1.26	-7.2
IP	International Paper Company	Retracement	23,352.6	0.65	-21.5	3.0	1.31	-7.5
PPG	PPG Industries, Inc.	Downtrend	22,373.6	0.49	-17.9	1.8	1.09	-8.2
LYB	LyondellBasell Industries NV	Downtrend	15,024.2	0.51	-26.7	7.9	0.86	-8.3
ECL	Ecolab Inc.	Consolidation	73,024.9	1.24	-11.2	0.7	0.93	-9.2
NEM	Newmont Corporation	Uptrend	86,940.9	0.44	10.8	0.8	0.58	-9.3
CTVA	Corteva Inc	Retracement	42,919.1	0.72	-18.2	0.7	1.07	-10.3
CF	CF Industries Holdings, Inc.	Consolidation	13,630.0	0.46	-16.4	1.6	1.01	-10.5
APD	Air Products and Chemicals, Inc.	Downtrend	55,269.0	0.77	-21.6	1.9	0.95	-11.1
PKG	Packaging Corporation of America	Retracement	17,694.3	0.71	-12.8	1.7	1.08	-12.6
LIN	Linde plc	Retracement	202,573.6	0.98	-17.8	0.9	0.73	-12.9
SW	Smurfit Westrock PLC	Downtrend	19,757.2	0.47	-25.5	3.1	1.29	-13.9
MOS	Mosaic Company	Consolidation	9,092.9	0.38	-27.3	2.1	0.99	-21.0

Base metal miners rallied in October, but those gains were hard to see as \$86B NEM corrected almost 10% as the precious metals trade saw near-term profit-taking

Chemicals and C&P stocks remain moribund for the most part with fertilizer stocks leading to the downside. ALB was a positive standout

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: Materials Sector

The **Federal Reserve's 25 bp rate cut** and decision to **end quantitative tightening (QT) in December** marked a policy shift that should reduce funding costs and support credit-sensitive industries such as construction, chemicals, and building materials. However, Chair Powell's cautious tone and comments that a December cut is "not a foregone conclusion" tempered expectations for further easing, keeping short-term yields elevated and the **U.S. dollar index near 106**, its highest since March.

The **Trump–Xi trade truce**, formalized at the late-October APEC meeting, reduced near-term tariff risk and postponed implementation of China's rare-earth export controls for at least 12 months. That provided relief for downstream manufacturers but created pricing uncertainty for miners such as **MP Materials (MP)**, which declined ~7% in the aftermath. At the same time, a potential **Section 301 investigation** into China's compliance with the 2020 trade deal remains a medium-term overhang.

Sanctions on Russian oil firms (Rosneft and Lukoil) contributed to a 5.6% surge in WTI crude earlier in the month before retracing; the move pushed feedstock costs higher for commodity chemicals and refining-linked inputs, especially ethylene, propylene, and naphtha derivatives. European energy prices remain ~25% above pre-2022 levels, maintaining a competitive cost advantage for U.S. producers.

Economic Drivers

U.S. economic activity continued to expand at a **moderate 2.1% annualized rate**, underpinned by a resilient labor market and cooling inflation. Housing data turned positive—**existing home sales rose 1.5% m/m in September**—and mortgage rates have fallen ~60 bp since August, aiding demand for coatings and home improvement materials. Meanwhile, **U.S. manufacturing PMIs stabilized above 52**, signaling modest expansion that supports metals and industrial chemical consumption.

Global energy demand remains firm, supported by data-center power growth and AI-related electricity consumption, though the **IEA trimmed its 2025 global oil demand forecast by 0.2 mb/d** due to softer European activity. These trends indirectly support **refining margins and feedstock demand** for U.S. chemicals and materials producers, despite volatility in crack spreads tied to geopolitical events.

Industry-Level

Chemicals & Coatings: Pricing power and disciplined cost management offset some raw-material inflation. **Sherwin-Williams (SHW)** beat Q3 expectations and raised guidance on higher ASPs and steady professional demand. **Axalta (AXTA)** cited strong demand in North America but guided the low end of FY EBITDA due to softness in vehicle production. Commodity producers like **Dow (DOW)** reported sequential earnings improvement despite volume pressure in Europe. However, **Olin (OLN)** guided Q4 EBITDA down ~25% amid weak chlor-alkali demand and Winchester segment pressure.

Metals & Mining: Infrastructure spending and defense orders supported specialty metals and steel demand. **ATI (ATI)** raised FY guidance after reporting strong aerospace and data-center power orders, while **Cleveland-Cliffs (CLF)** and **Alcoa (AA)** delivered margin recovery aided by lower input costs. **Newmont (NEM)** beat Q3 earnings but lagged as gold retraced 3% during the month. Base-metals producers remain constrained by higher power costs and a firmer dollar.

Containers & Packaging: Packaging demand held steady as consumer staples volumes offset weak e-commerce. **Crown Holdings (CCK)** raised FY guidance on European segment strength and lower aluminum input costs, while **Packaging Corp. of America (PKG)** missed and cut outlook due to weaker containerboard demand and Greif integration expenses. **Avery Dennison (AVY)** was upgraded by two brokers following RFID growth tied to retail rollout initiatives.

Ag-Chemicals: Agricultural markets remain under pressure as global inventories normalize and pricing weakens. **FMC (FMC)** continued to cite pricing headwinds and destocking in crop-protection channels. Stable acreage and improving Latin American demand provide some relief, though profitability remains below 2022 levels.

Outlook

The Materials sector exits October positioned between cyclical recovery and structural cost inflation. **Tailwinds:** Fed easing, robust U.S. construction, infrastructure and data-center spending, and easing trade risks. **Headwinds:** Persistent energy cost volatility, strong dollar, regulatory burdens, and weak global trade flows

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.