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

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# Sector Price Action & Performance Review: Consumer Discretionary Sector



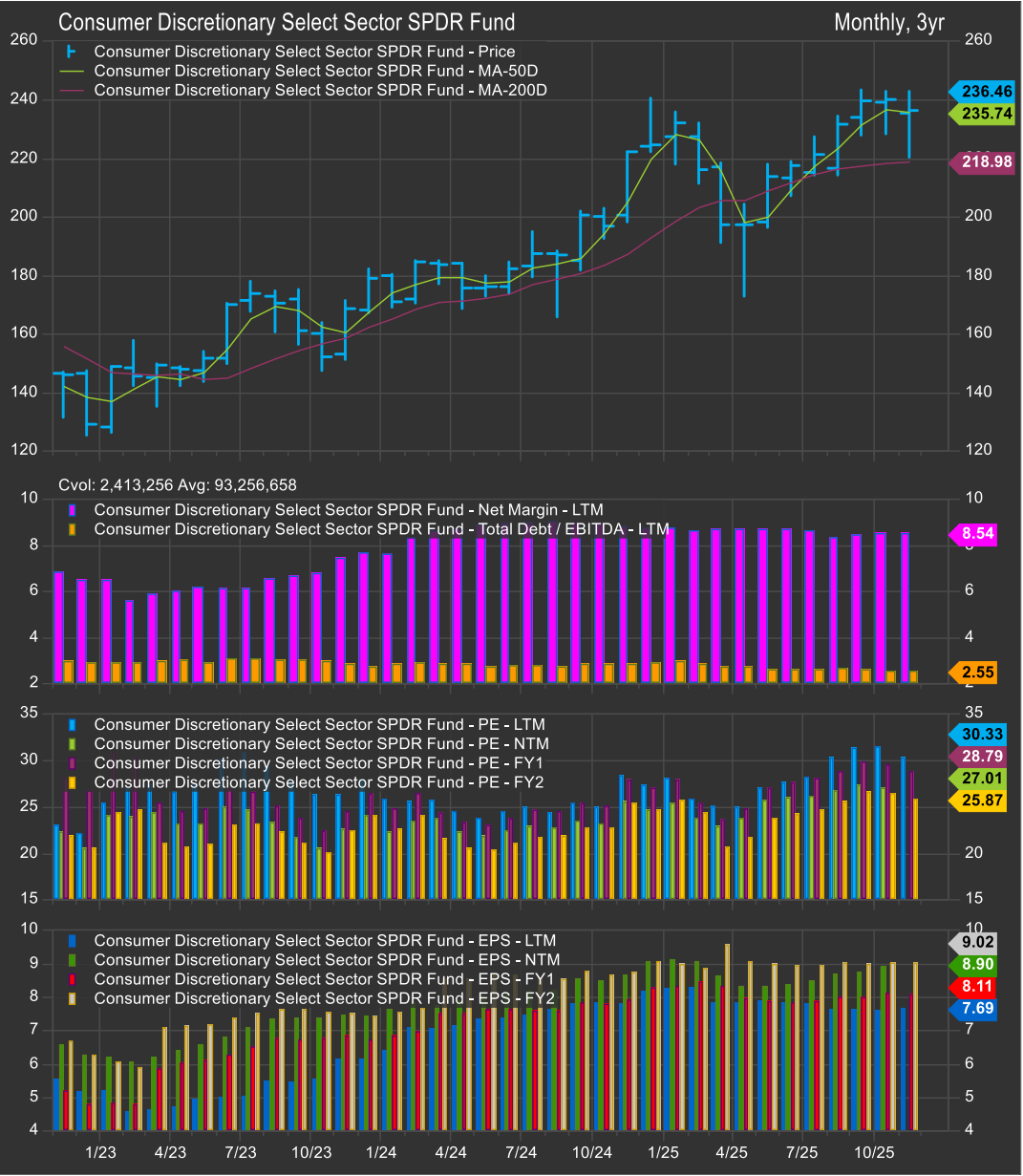
The Discretionary Sector finished November on a strong note as investors priced in increasing odds of a Fed rate cut in December. Those odds have gone from 30% → to 80% probability on consensus, and retail stocks rallied for the last 5 trading days on that news.

Fed watching aside, the sector remains challenged by a cash strapped US consumer with deteriorating credit metrics and a continued sluggishness in the housing market. Auto stocks, particularly TSLA, corrected during the month while discount retail showed strength as consumers searched for ways to stretch their budgets into the holiday season. AMZN traced out a marginal gains vs. the S&P 500 for the month while the sector as a whole finished just shy of the market return.

We remain skeptical that dovish policy will lift Discretionary stocks out of their year-to-date malaise. Housing affordability continues to be a high hurdle to jump, and we think benchmark rates would need to go 50-100 bps lower than they are currently to meaningfully impact the housing market. Easing with the economy still near full employment and strong year-to-date trends for financial asset prices has potential to accelerate growth expectations and adjust rates higher rather than lower at the long end of the curve. This would complicate the Fed's path to easing financial conditions and affecting relief for the consumer.

**We start December out of the Consumer Discretionary Sector with an **UNDERWEIGHT** allocation of -10.24% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

# Fundamentals: Consumer Discretionary Sector

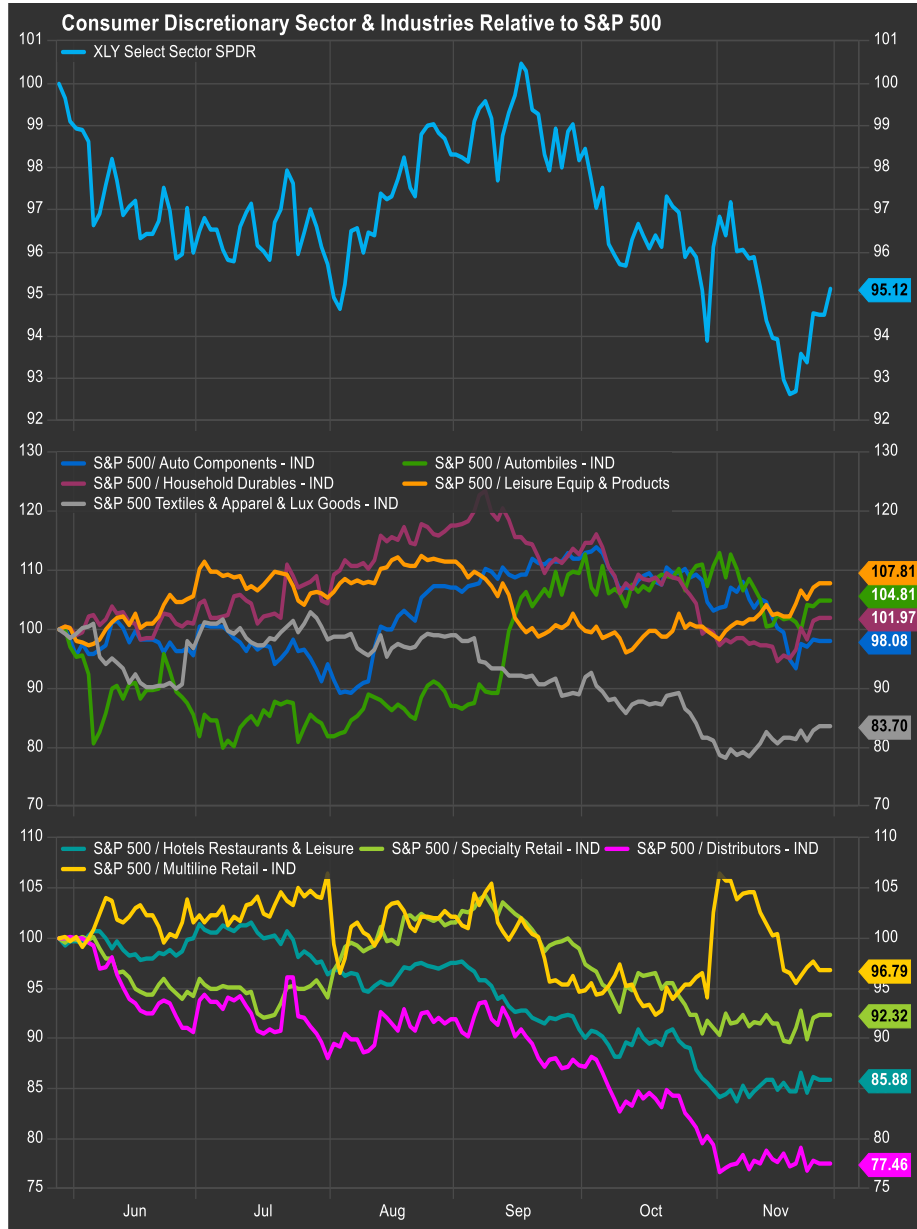


The chart (left) shows S&P 500 Consumer Discretionary Sector Margins, Debt/EBITDA, Valuation and Earnings

Margins ticked lower in the near-term(chart, panel 2)

Valuation (chart, panel 3) remains at a premium to the S&P 500 and is a concern moving forward. Consensus forward earnings projections (panel 4) have held steady. We think the earnings outlook could be challenged if rates don't move materially lower from today as we remain skeptical that the housing market unlocks on only a marginal move lower from today's levels

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



**Consumer Discretionary Industries** (chart, left): Auto stocks corrected while Broadline Retail (AMZN, EBAY) had a volatile November that netted a slight positive on performance...some late month bounce on easing expectations salvaged a lackluster month for the sector

**Consumer Discretionary Sector Internals** (chart, right): Market internal trends saw the **near-term series** hit below 20% several times (chart, middle panel) but the next few days will be pivotal for any near-term bullish reversal signal to develop. We enter December shy of clear bullish signals at the index level despite Discretionary stocks showing a clear positive reaction on firming odds for Fed easing.

# 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
EXPE	Expedia Group, Inc.	Bullish Reversal	30,143.9	0.58	21.5	0.3	2.06	16.8
LVS	Las Vegas Sands Corp.	Bullish Reversal	46,146.2	0.87	22.5	0.9	1.43	16.1
MAR	Marriott International, Inc. Class A	Consolidation	81,753.4	1.09	7.8	0.6	1.34	13.4
ROST	Ross Stores, Inc.	Bullish Reversal	57,789.5	1.02	12.1	0.6	1.14	11.3
RL	Ralph Lauren Corporation Class A	Uptrend	14,388.3	0.92	16.6	0.6	2.14	10.8
YUM	Yum! Brands, Inc.	Consolidation	42,703.0	0.93	1.3	1.2	0.40	8.4
HLT	Hilton Worldwide Holdings Inc.	Consolidation	66,423.0	1.28	0.9	0.1	1.30	8.2
TJX	TJX Companies Inc	Uptrend	170,424.3	1.21	6.6	0.7	0.73	8.0
HAS	Hasbro, Inc.	Bullish Reversal	11,601.7	0.64	2.5	2.2	0.75	7.6
PHM	PulteGroup, Inc.	Consolidation	24,869.4	0.46	0.4	0.4	1.62	6.9

Some retail and Travel names have improved across the past month

Several previous winners have corrected while tentpoles AMZN (+1.8%) and TSLA (-4.9%) were a mixed bag for the past month

DASH saw profit-taking but remains within the parameters of a bull trend...mass market Discretionary\_names are generally being faded in favor of off-price counter-parts.

Homebuilder performance will be a good bellwether going forward as a gage for conviction in Fed action. We're skeptical rates will go low enough to really move the needle on housing....

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
DASH	DoorDash, Inc. Class A	Support	79,633.5	2.43	-24.3	0.0	2.24	-24.8
GRMN	Garmin Ltd.	Retracement	37,464.9	0.90	-21.8	1.2	0.99	-21.7
NCLH	Norwegian Cruise Line Holdings Ltd.	Support	8,344.9	0.28	-25.1	0.0	2.57	-21.2
CMG	Chipotle Mexican Grill, Inc.	Support	44,997.1	1.13	-27.5	0.0	1.15	-16.3
RCL	Royal Caribbean Group	Support	72,462.6	0.60	-22.7	0.8	2.34	-16.2
POOL	Pool Corporation	Downtrend	9,098.9	0.85	-25.6	1.0	1.52	-15.6
EBAY	eBay Inc.	Retracement	37,285.5	0.57	-13.3	0.9	1.21	-15.0
CCL.U	Carnival Corporation	Consolidation	29,690.6	0.42	-18.8	0.0	3.40	-12.8
APTV	Aptiv PLC	Bullish Reversal	16,601.4	0.37	-8.4	0.0	1.42	-10.0
ABNB	Airbnb, Inc. Class A	Downtrend	49,648.8	0.93	-15.5	0.0	1.26	-8.8

## 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

The Consumer Discretionary sector ended November with a **modest positive monthly return**, but it continued to **lag the broader S&P 500** on a rolling three-month basis. Most of the month's progress came from a **sharp late-month rebound**, driven by rising expectations for a December Fed rate cut—probabilities climbed above **80%**—and broad equity strength.

However, the underlying macro picture softened. **Consumer Confidence collapsed to 88.7**, its lowest reading since April, while delayed **September retail sales** showed the **core control group declining for the first time since April**, signaling cooling demand. Continued deterioration in the labor market—**continuing claims rising to 1.96M, the highest since 2021**—further weighed on discretionary categories that depend on healthy employment and income trends.

## Macro Drivers: Consumption Is Cooling Despite Market Strength

Softening consumer conditions defined the month. Confidence, spending, and employment data all pointed to a **slower discretionary backdrop** heading into the holidays. Retailers across segments cited weaker traffic, heavier promotions, and uneven category-level demand. Even as Fed officials opened the door to near-term rate cuts, most large discretionary names saw little benefit on a monthly basis, suggesting that **macro sensitivity has increased while elasticity to lower rates has diminished**.

The broader market's strong three-day run late in the month—lifting the S&P more than **3.5%**—provided technical support, but it did not change the fundamental picture. Holiday-shopping surveys also hinted at softer spending intentions, consistent with a sector that is losing momentum.

## Company Trends: Isolated Winners, Sluggish Large Caps

The month's gains were driven largely by **mid-cap outperformers** such as ANF, URBN, KSS, and BBY, which delivered earnings beats and guidance raises. These bright spots contrasted with weaker performance from large-cap bellwethers, where the outlook remained mixed. **TGT lowered guidance**, BURL missed comps, and auto-linked categories struggled with inventory

and margin pressure. The divergence reinforces that November strength was **not broad-based** and that the sector's core growth engines are not yet reaccelerating.

## Sector Dynamics: Technical Tailwinds vs. Fundamental Headwinds

The late-month recovery benefited from seasonal flows, cleaner positioning after a multi-week momentum unwind, and broad-based equity optimism. Yet the fundamental headwinds were persistent: a **drop in consumer confidence, weak control-group sales, softening labor demand**, and **ongoing promotional pressure** across key categories. Tariff-related cost challenges and freight volatility also resurfaced in management commentary, adding friction to 2026 profitability expectations.

Overall, November's rebound was **more technical than fundamental**, and sector leadership did not come from the large caps that typically support durable rallies.

## December Outlook: Mildly Negative Despite Seasonal Support

Seasonality and elevated odds of a December rate cut could provide near-term support, but the sector enters December with **deteriorating demand signals** and mixed earnings trends. Macro sensitivity remains high, and sector strength has been buoyed in large part by near-term strength from policy expectations. With **consumer confidence at 88.7**, the **retail control group contracting**, and **continuing claims rising**, the discretionary consumer appears to be slowing at the exact time the sector relies on holiday-driven upside. Homebuilder performance in the near-term will be a key gage of investor confidence in the Fed's policy prescription for December.

For these reasons, despite pockets of strength and supportive year-end flows, the broader setup remains unclear with limited fundamental catalysts beyond a potential rate cut to sustain November's late-month rebound. Given the recent history of dovish policy interventions to catalyze higher rates, we are skeptical that Discretionary shares are on a clear path.

# 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.