

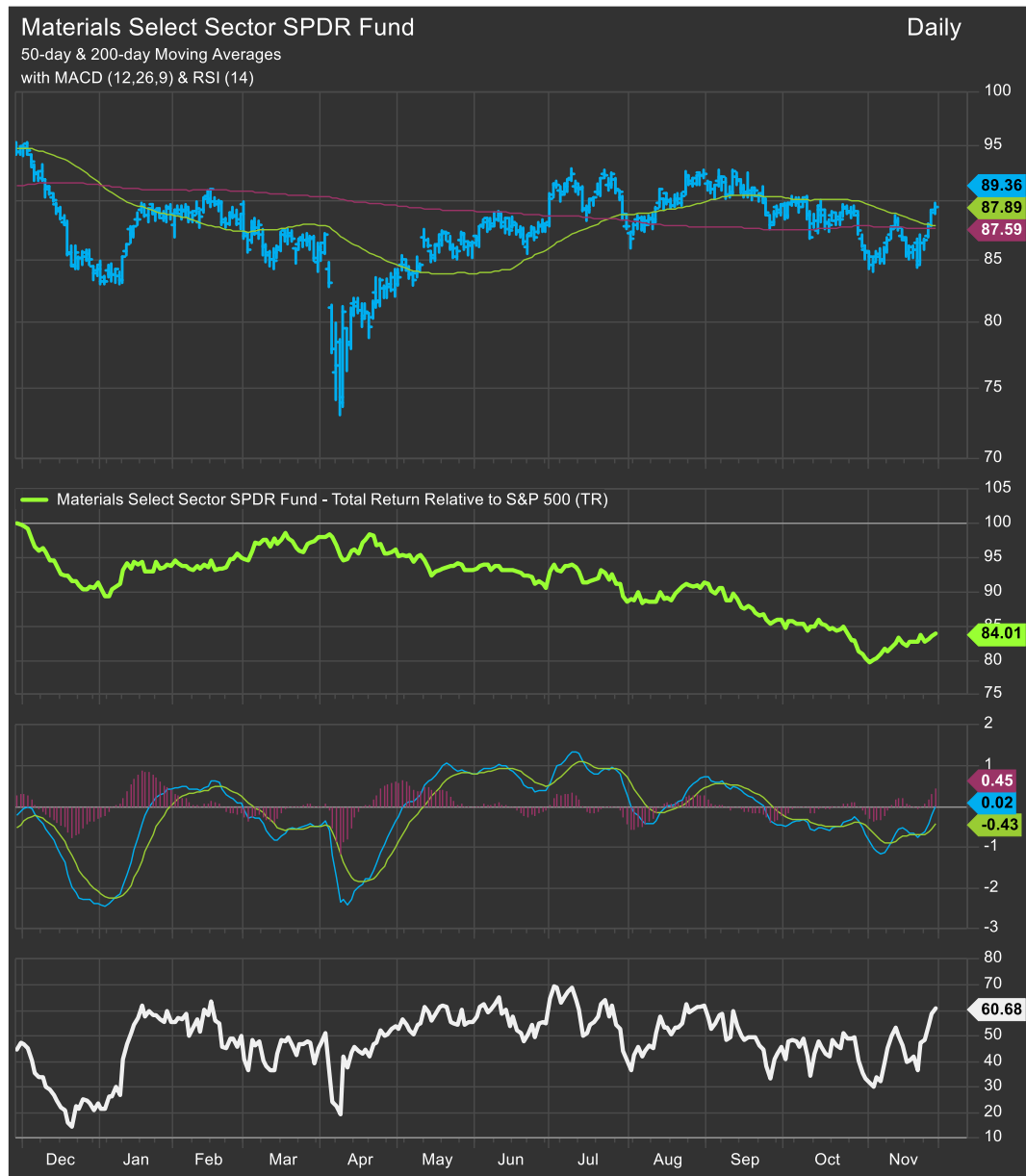
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Monthly Insights: December Outlook

# Materials Sector

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## Sector Price Action & Performance Review: Materials

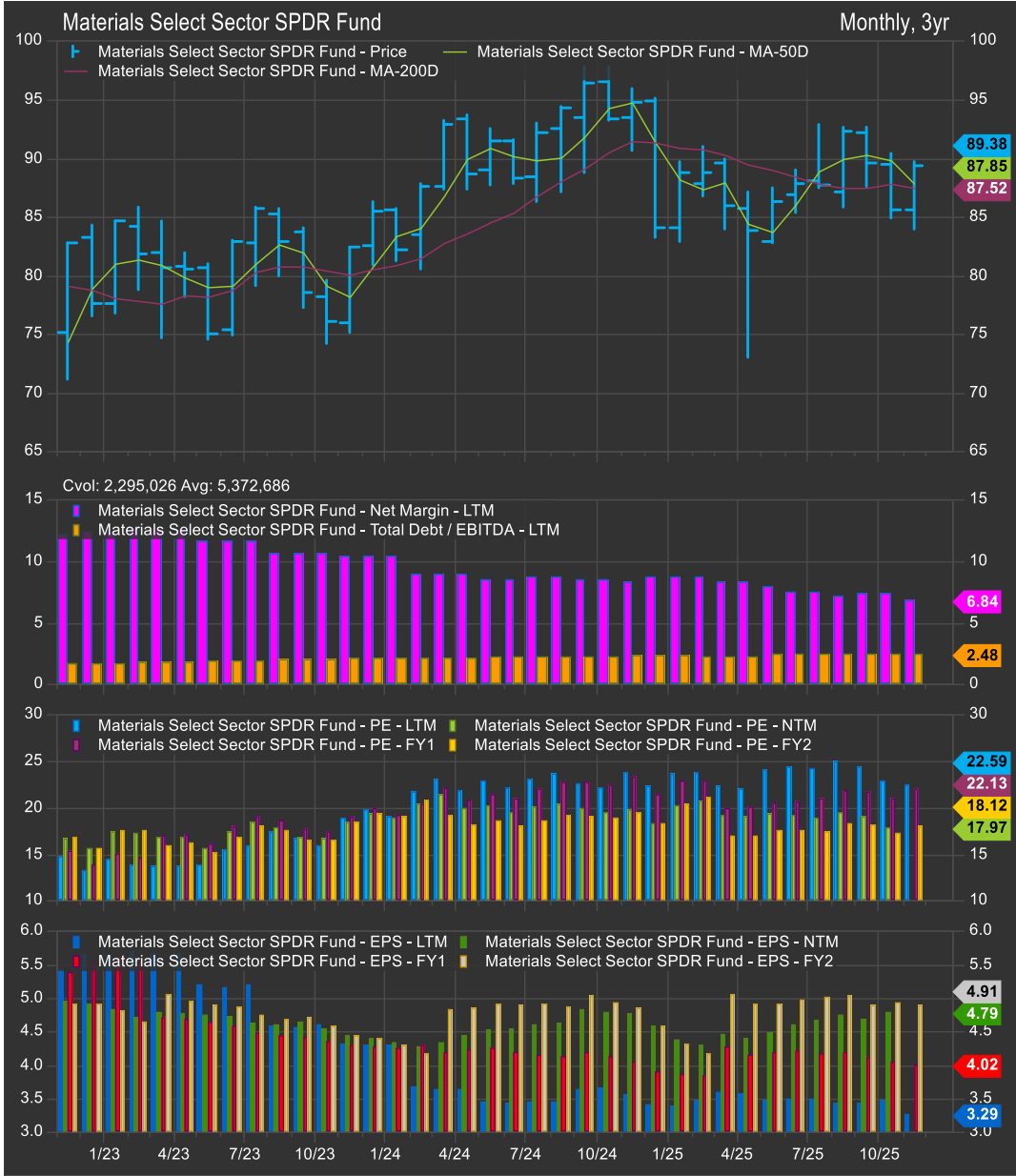


The Materials Sector ended November on a positive note with a rally to the previous month's highs with outperformance of 4% vs. the S&P 500. Our MACD study shows a recent tactical buy signal, and the Bloomberg Commodities Index has also firmed which historically has been a macro level tailwind to the sector.

Fundamentally the sector remains weak, but consensus expectations are also weak which is a potential contrarian bull setup. We think structurally short positioning in commodities sectors (Energy/Materials) makes both candidates for inflows if investor expectations on Fed policy go sideways. We also see a mismatch in performance and fundamental measures of demand where supply of input components is tighter than the price action would suggest. The setup is ripe for upside surprise despite some vulnerability in the economic cycle due to uncertainty on the trajectory of data and potential inflation.

**We start December long the Materials Sector with an **OVERWEIGHT** allocation of 3.73% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

# Fundamentals: Materials Sector



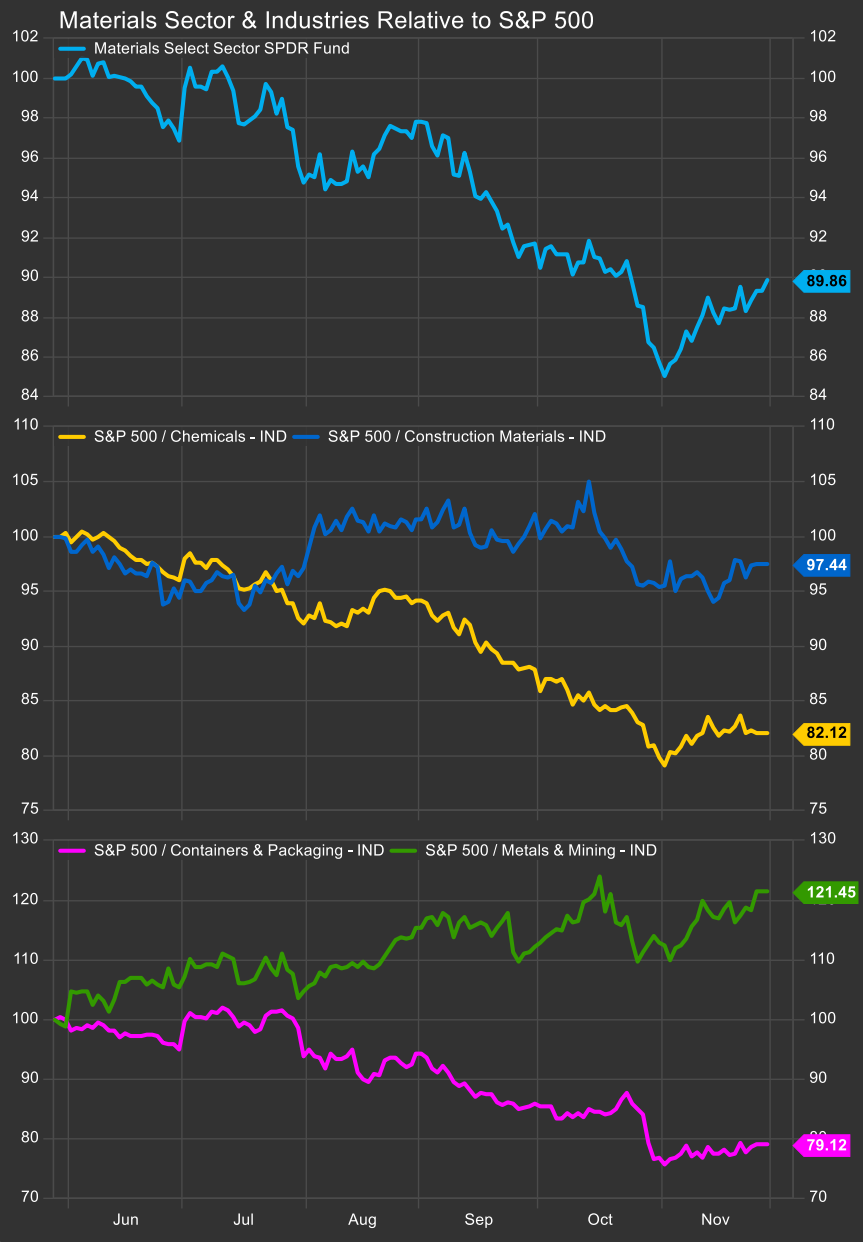
The chart (left) shows S&P 500 Materials Sector Margins, Debt/EBITDA, Valuation and Earnings

Margins continue to contract (chart, panel 2)

Valuation multiples (chart, panel 3) have begun to contract as NTM earnings projections have firmed (panel 4)

The sector remains in a weak fundamental position, but we view it as a potential rotation candidate as expectations for Fed easing in December become more elevated.

# Industry/Sub-Industry Performance and Breadth: Materials



**Materials Industries** (chart, left): The Sector rebounded in November with the positive inflection driven by strength in Mining concerns. Other industries firmed on the margins as well as the sector outperformed for the first time since August.

Chemicals stocks are key moving forward as their recent bounce hasn't been enough to change a negative longer-term performance trend as the sector's largest industry weight.

**Materials Sector Internals** (chart, right): Internal trends improved in November as a higher probability of Fed easing was priced in for the sector in the back half of November suggesting potential for continued near-term upside.

# 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 |
|--------|-----------------------------------------|------------------|-----------|---------------------------------|----------------|-------------------------------|------------------------|-------------------------------|
| ALB    | Albemarle Corporation                   | Bullish Reversal | 14,937.0  | 6.91                            | 50.4           | 0.8                           | 2.06                   | 32.7                          |
| DD     | DuPont de Nemours, Inc.                 | Bullish Reversal | 16,524.4  | 0.75                            | 17.6           | 1.6                           | 1.07                   | 16.7                          |
| NEM    | Newmont Corporation                     | Uptrend          | 98,781.1  | 0.48                            | 26.5           | 0.7                           | 0.65                   | 16.2                          |
| NUE    | Nucor Corporation                       | Bullish Reversal | 36,418.3  | 0.58                            | 10.0           | 0.9                           | 1.95                   | 11.2                          |
| IFF    | International Flavors & Fragrances Inc. | Support          | 17,870.4  | 0.63                            | -2.7           | 1.5                           | 0.92                   | 7.7                           |
| STLD   | Steel Dynamics, Inc.                    | Bullish Reversal | 24,332.3  | 0.53                            | 15.1           | 0.8                           | 1.33                   | 6.2                           |
| CTVA   | Corteva Inc                             | Consolidation    | 45,037.5  | 0.74                            | -10.8          | 0.7                           | 0.97                   | 5.0                           |
| AMCR   | Amcor PLC                               | Consolidation    | 19,863.6  | 0.41                            | -3.8           | 4.0                           | 0.78                   | 5.0                           |
| FCX    | Freeport-McMoRan, Inc.                  | Consolidation    | 60,524.5  | 0.85                            | -5.2           | 0.9                           | 1.43                   | 3.3                           |
| SHW    | Sherwin-Williams Company                | Support          | 85,124.2  | 1.11                            | -8.9           | 0.6                           | 1.39                   | 3.2                           |
| APD    | Air Products and Chemicals, Inc.        | Downtrend        | 57,642.0  | 0.79                            | -11.9          | 1.9                           | 0.93                   | 2.0                           |
| VMC    | Vulcan Materials Company                | Consolidation    | 38,989.2  | 1.23                            | -2.6           | 0.4                           | 0.99                   | 2.0                           |
| SOLS   | Solstice Advanced Materials, Inc.       | Unseasoned       | 7,338.0   | 0.67                            |                | 0.1                           |                        | 1.8                           |
| MLM    | Martin Marietta Materials, Inc.         | Bullish Reversal | 37,541.2  | 1.17                            | -2.8           | 0.3                           | 1.03                   | 1.7                           |
| BALL   | Ball Corporation                        | Downtrend        | 13,300.2  | 0.51                            | -9.4           | 1.1                           | 1.33                   | 0.3                           |
| LYB    | LyondellBasell Industries NV            | Downtrend        | 15,585.1  | 0.52                            | -15.5          | 7.4                           | 0.89                   | -0.6                          |
| PKG    | Packaging Corporation of America        | Consolidation    | 18,309.4  | 0.73                            | -6.2           | 1.6                           | 1.09                   | -0.7                          |
| ECL    | Ecolab Inc.                             | Consolidation    | 77,887.0  | 1.32                            | -6.2           | 0.6                           | 0.90                   | -0.9                          |
| AVY    | Avery Dennison Corporation              | Consolidation    | 13,311.8  | 0.67                            | -7.8           | 1.4                           | 0.99                   | -3.8                          |
| PPG    | PPG Industries, Inc.                    | Downtrend        | 22,415.3  | 0.50                            | -14.1          | 1.8                           | 1.12                   | -3.8                          |
| DOW    | Dow, Inc.                               | Consolidation    | 16,994.4  |                                 | -11.6          | 5.8                           | 0.84                   | -6.3                          |
| LIN    | Linde plc                               | Support          | 190,468.5 | 0.92                            | -18.2          | 1.0                           | 0.66                   | -7.5                          |
| CF     | CF Industries Holdings, Inc.            | Support          | 12,230.0  | 0.44                            | -15.2          | 1.7                           | 0.95                   | -7.9                          |
| SW     | Smurfit Westrock PLC                    | Downtrend        | 18,683.8  | 0.47                            | -24.4          | 3.2                           | 1.23                   | -15.7                         |
| IP     | International Paper Company             | Support          | 20,783.6  | 0.74                            | -23.1          | 3.0                           | 1.33                   | -16.5                         |
| MOS    | Mosaic Company                          | Support          | 7,700.3   | 0.35                            | -30.9          | 2.4                           | 0.89                   | -17.1                         |

Base and precious metal miners continued to show strength in November with STLD, NUE, NEM and FCX pacing sector gains. Fertilizer stocks and paper (IP) remain laggards.

Overall improvement has been broad and the technical picture for the sector improved over the course of the month

## 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 sector remains well off its summer highs, reflecting earlier recession fears, falling crude, and soft industrial PMIs. But price action in the second half of November suggested sellers may be exhausted: systematic deleveraging slowed, high-beta factor headwinds moderated, and rotation into cyclicals appeared in pockets—exactly the type of inflection Materials historically benefits from into year-end.

## Macro Backdrop Turning More Supportive

A constructive macro narrative emerged in late November, reversing several weeks of global growth concerns and setting up a firmer demand outlook for industrials, metals, and chemicals.

**Core capital goods orders rose 0.9% m/m**, beating expectations and signaling improving business investment.

**Durable goods orders increased 0.5%**, another positive surprise.

**Initial claims fell to 216K**, better than consensus (230K) and consistent with labor-market resilience.

**Pending home sales increased 1.9%**, supporting construction-linked end markets.

On the policy front, the bond market experienced a sharp dovish pivot. Odds of a December Fed cut surged from **~30% to 80%+**, driven by comments from Waller, Daly, and Miran, all of whom suggested the labor market is weakening faster than inflation is falling. A softer dollar (down **0.3%** on key sessions) and falling yields are historically supportive for Materials, particularly metals and specialty chemical names with global footprints.

China—critical for the Materials sector—also contributed positively. Chinese equities were standouts on multiple nights, and strong adoption of BABA’s updated Qwen AI app rekindled optimism that China’s tech-driven industrial policy could drive incremental materials demand.

## Commodity Signals Improving Beneath the Surface

Despite noisy geopolitical headlines, commodity markets started to firm:

Copper-related equities outperformed on several sessions, aided by aluminum strength and optimism around 2026 infrastructure demand.

Steel, lithium, and industrial metals names caught rotation during broad cyclical rallies.

WTI’s late-November stabilization (after falling in **six of eight weeks**) helped sentiment by removing fears of a disorderly commodity decline.

The most important development:

**Ukraine peace-deal chatter pushed crude down early in the week, but Russia’s firm rejection of the revised plan reversed that narrative**, indicating supply-side risks remain and leaving global commodity balances tighter than crude price action suggests.

This backdrop supports a constructive Materials thesis: fundamentals have not deteriorated nearly as much as prices imply.

## Continuing to Reflate in December

Materials enter December in an attractive setup defined by:

**Oversold conditions** following months of risk-off flows.

**Underweight investor positioning**, with PMs heavily tilted toward Tech, AI, and Consumer sectors.

**Seasonality**, where cyclicals (including Materials) tend to outperform in December and January.

**Improving macro inputs**—firmer orders, stabilizing global PMIs, weakening dollar, and rising odds of Fed easing.

**Reduced left-tail risk** as recession fears softened and durable goods orders beat expectations.

Equity strategists repeatedly noted in November that market leadership will likely broaden in 2026 as earnings breadth improves. Materials is one of the prime beneficiaries of such a rotation, especially given that earnings surprises in Q3 were concentrated in healthcare and cyclicals—not just megacap tech.

## Outlook for December

Taking the optimistic view, Materials look better positioned than at any point since early Q3:

**Fundamentals are stabilizing:** demand signals in CapEx, housing, and labor all improved relative to expectations.

**Macro headwinds are easing** as the Fed leans toward cuts and the dollar softens.

**Commodity markets are healthier than the headline crude decline implies.**

**Positioning and sentiment are washed out**, giving the sector more upside torque if risk appetite broadens.

The path is not without risks—AI-related flows continue to dominate the market, and China demand remains uneven. But the balance of factors heading into December favors a constructive stance.

## Conclusion: An Opportunistic Setup

While not as flashy as AI-driven Tech or as deeply discounted as Energy, the S&P 500 Materials sector enters December with a favorable mix of oversold technicals, improving macro signals, stabilizing commodities, and supportive policy trends. With lighter positioning and early signs of a cyclical bid emerging, Materials offer an opportunity for investors seeking exposure to an under-owned sector poised to benefit from the next leg of the market’s year-end rotation.

# 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.