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Monthly Insights: March Outlook  
**Communication Services Sector**

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# Sector Price Action & Performance Review: Communication Services Sector



The S&P 500 Communication Services sector disappointed in February as neither META nor Alphabet Corp. could regain investor interest amidst rotation towards Value and low vol. exposures.

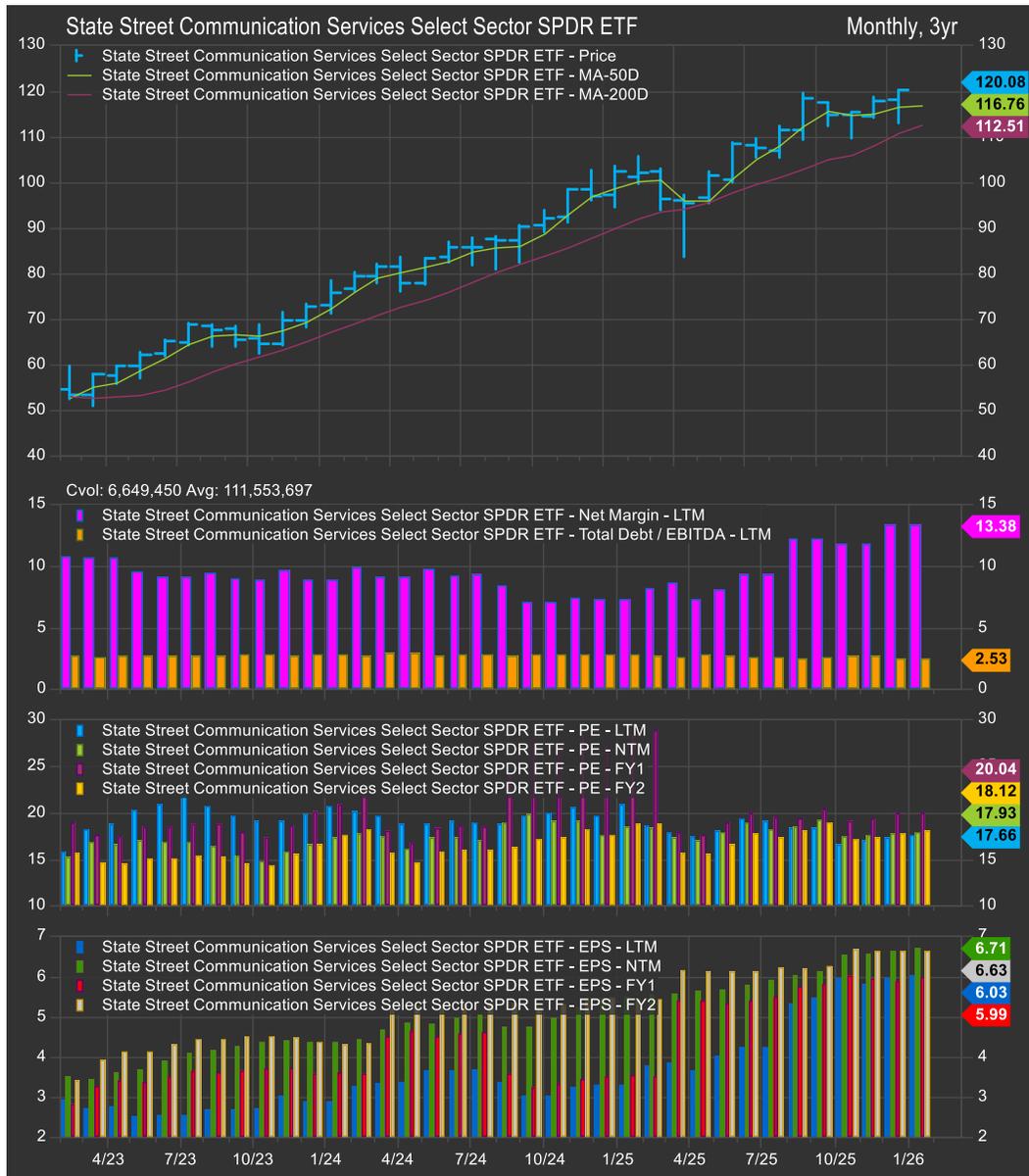
From a technical perspective continued weakness calls into question the prospective bullish reversal off the November lows as Growth stocks continue to see outflows.

From a fundamental perspective, legacy media hasn't been able to shake the cord-cutting dynamic and with renewed economic weakness in focus, media names are seeing ad revenue streams face increased scrutiny. However, the biggest issues remain pessimism around the "AI Disruption" narrative. Absent new evidence of increased AI resource monetization, we are seeing valuations continue to compress in the mega cap. growth space as investors de-rate the AI complex in the near-term.

Geopolitical intrigue, slowing economic growth and rising unemployment have also added a reminder that AI enthusiasm alone does not sustain a business cycle. We're positioned for a continued growth shake-out in March as a result.

**We start March out of the Communication Services Sector with an **underweight allocation of -10.19%** 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 expanded again in the near-term(chart, panel 2).

However, consensus forward earnings projections have narrowed for the sector as the Entertainment industry has been thrown off by the WBD/PSKY/NFLX M&A kerfuffle.

Forward consensus earnings projections have not kept pace.

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



**Communication Services Industries** (chart, left): Telecom names improved, but that was overshadowed by renewed selling in META and GOOGL which pushed the Interactive Media industry lower along with the sector as a whole.

**Communication Services Sector Internals** (chart, right): Internal trends are back on the floor as the sector lacks current upside catalysts.

# 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
VZ	Verizon Communications Inc.	Bullish Reversal	207,636.6	0.40	18.7	3.80	0.40	24.0
T	AT&T Inc	Consolidation	195,106.1	0.48	6.4	2.66	0.21	17.6
CHTR	Charter Communications, Inc. Class A	Consolidation	28,587.1	0.20	4.7	0.00	0.56	17.2
TMUS	T-Mobile US, Inc.	Consolidation	240,933.3	0.80	2.5	1.29	0.30	17.0
LYV	Live Nation Entertainment, Inc.	Consolidation	36,068.2	3.59	6.9	0.00	1.42	5.1
CMCSA	Comcast Corporation Class A	Consolidation	110,486.9	0.33	10.2	2.64	0.44	4.5
OMC	Omnicom Group Inc	Consolidation	25,667.9	0.30	6.4	2.67	0.69	3.1
TKO	TKO Group Holdings, Inc. Class A	Uptrend	16,353.5	1.50	5.2	0.47	0.65	0.6
WBD	Warner Bros. Discovery, Inc. Series A	Bullish Reversal	71,668.7		37.9	0.00	1.84	0.6
MTCH	Match Group, Inc.	Consolidation	7,407.9	0.46	-8.7	1.39	1.15	0.4
META	Meta Platforms Inc Class A	Consolidation	1,429,736.2	0.86	-4.8	0.20	1.49	-1.3
EA	Electronic Arts Inc.	Bullish Reversal	50,546.2	0.88	0.0	0.25	0.63	-1.4
NFLX	Netflix, Inc.	Retracement	349,172.8	1.03	-21.4	0.27	1.38	-4.5
GOOGL	Alphabet Inc. Class A	Uptrend	3,523,960.9	1.07	3.7	0.18	0.72	-5.1
DIS	Walt Disney Company	Downtrend	186,098.2	0.61	-5.8	0.86	1.65	-5.9
NWSA	News Corporation Class A	Downtrend	13,592.0	0.81	-14.9	0.56	1.09	-12.7
PSKY	Paramount Skydance Corporation Class B	Downtrend	10,888.1	0.41	-31.9	1.18	1.31	-13.7
NWS	News Corporation Class B	Consolidation	13,592.0	0.90	-17.7	0.50	1.09	-16.1
TTWO	Take-Two Interactive Software, Inc.	Retracement	38,388.7	1.09	-17.3	0.00	0.79	-16.2
FOX	Fox Corporation Class B	Consolidation	22,011.3	0.40	-19.6	0.73	0.55	-24.8
FOXA	Fox Corporation Class A	Consolidation	22,011.3	0.43	-21.1	0.67	0.47	-26.3
TTD	Trade Desk, Inc. Class A	Downtrend	11,078.4	0.89	-40.9	0.00	2.14	-31.7

Mega Cap. stocks led the sector lower in February as META, GOOGL and NFLX all slumped.

Legacy media names gave back near-term gains as well leaving T and VZ to carry the sector in February.

Absent revitalizing catalysts for the sectors Interactive Media heavyweights, our outlook is turning negative.

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

# Economic & Policy Drivers: Communication Services Sector

Communication Services traded as a hybrid of (1) **platform-duration growth** (ad-driven internet and large-cap platforms), (2) **event-driven media** (M&A / strategic outcomes), and (3) **telecom defensiveness** when macro volatility spiked. February reports repeatedly emphasized a market regime dominated by **AI disruption anxiety, elevated single-stock volatility, and policy uncertainty** (tariffs authority changes, geopolitics). In that backdrop, Comm Services could rally hard when the tape rewarded “quality growth” and event optionality (e.g., **Feb 20: Comm Services +2.65%**), but it also saw abrupt givebacks on days when the market penalized “duration” and regulatory risk (e.g., **Feb 18: Comm Services +0.31%** while defensives lagged and rates/dollar strengthened; **Feb 17: Comm Services -0.60%** on a day with mixed leadership).

## **Policy and regulation: antitrust, election rules, and platform scrutiny were recurring overhangs**

A notable February thread was **regulatory pressure on large platforms and media combinations**. Reports flagged Google preparing search-result changes in Europe tied to antitrust dynamics, and there was also a headline that **Meta will continue blocking new political ads during the 2026 midterms**—both reinforcing that platform monetization and product decisions remain policy-constrained rather than purely demand-driven. That “policy discount rate” matters more when Growth leadership is fragile and investors are already leaning toward lower-volatility exposures.

## **Media M&A and strategic optionality: the sector’s biggest “beta” came from deal tape**

The most persistent, high-impact February driver inside Comm Services was **event risk around large media assets**—particularly the evolving situation involving **WBD, PSKY, and NFLX**. February reports described WBD reopening talks with PSKY and later indicating PSKY’s revised proposal (including **\$31/sh cash**) could reasonably be viewed as a superior proposal versus the existing NFLX agreement; NFLX then appeared as a notable gainer on that development (**Feb 25: NFLX +6%** in the highlights). The sector implication is straightforward: a meaningful slice of Comm Services performance was explained not by macro or rates, but by **deal probability, regulatory pathway risk, and board/financing dynamics**—which can overwhelm fundamentals for weeks at a time.

## **Advertising and “AI agents”: support for the long-run story, but not a clean February tailwind**

February reports kept AI front-and-center, but Comm Services experienced it less as a pure demand story and more as a **product/competition and monetization** story. Headlines referenced new AI features and tools (e.g., music-generation capabilities within Gemini) and

broader discussions of AI’s impact on employment and the economy. For ad platforms, February’s net effect was mixed: AI can improve targeting and creative tooling, but it also raises the risk that **distribution, discovery, and content economics** change faster than traditional pricing power models imply. That ambiguity helps explain why Comm Services could participate in risk-on bursts but didn’t consistently lead the market the way it tends to in clean “Growth-friendly” regimes.

## **Earnings and single-name drivers: dispersion was the rule**

Within the month’s notable movers, dispersion inside Comm Services was sharp. Snap was cited for reaching a **\$1B annualized run-rate** in its direct revenue business and surpassing **25M subscribers**, supporting the “durable engagement + subscription layering” narrative on a day when software and semis were strong. Elsewhere, FOX appeared among notable decliners late month tied to a downgrade focused on NFL renewal economics (a reminder that legacy media still trades on **sports rights cost curves** and affiliate/advertising mix more than macro). The takeaway for February positioning: Comm Services wasn’t a one-factor sector; it behaved like a collection of **platform growth + event-driven media + regulatory risk premia**.

## **March 2026 setup: what to watch**

March’s Comm Services outlook hinges on whether the market keeps paying for **duration + platform optionality** while volatility remains elevated. The most immediate swing factors are (1) continued **media deal tape** (WBD/PSKY/NFLX path and any incremental regulatory signals), (2) **platform policy headlines** (antitrust/election rules and any new constraints on distribution/monetization), and (3) the market’s tolerance for Growth exposure if rates/dollar firm again. If the broader rotation continues to favor **Value/low vol and real-asset exposures**, Comm Services leadership may remain episodic and headline-driven; if Tech stabilization broadens beyond semis into software/platforms, Comm Services has room to reassert itself—likely led by the largest platforms and by any clarity that reduces deal/regulatory uncertainty in media.

# 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.