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Monthly Insights: March Outlook

Consumer Discretionary Sector

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Sector Price Action & Performance Review: Consumer Discretionary Sector



The Discretionary Sector carried optimism around Fed easing into mid-January, but weaker eco data on employment and GDP Growth along with renewed agita surrounding tariffs ended the good times.

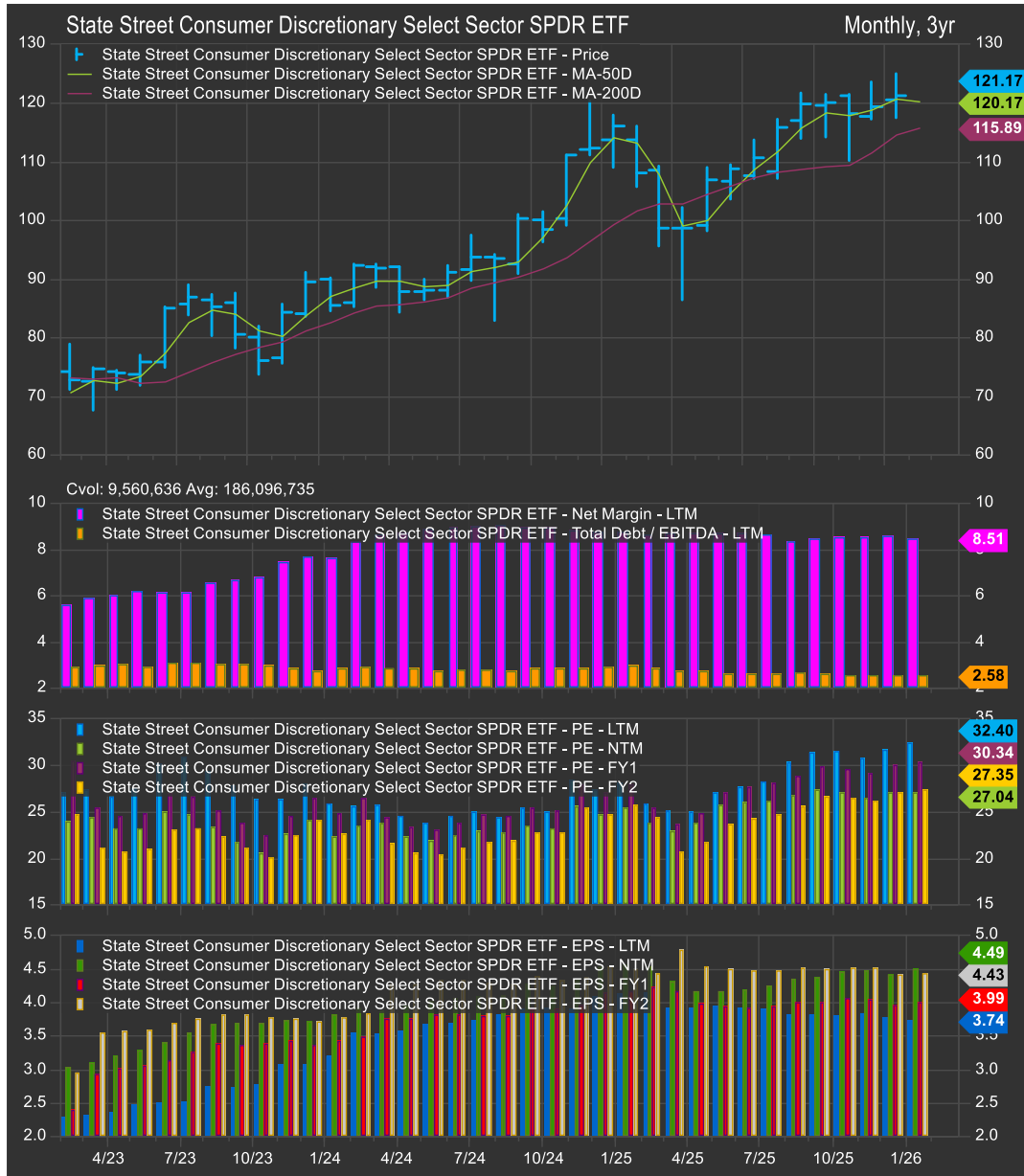
From a technical perspective, Discretionary stocks enter March coming off an oversold condition, but with a longer-term relative downtrend clearly established. Momentum divergence has developed from May of 2025 and while interest rates are moving lower in the near-term, mortgage rates remain high relative to the previous cycle.

Continued pressure on AMZN and TSLA has turned an early cycle strength for the sector into a weakness. With retail names also showing only pockets of strength and weakness from distributors, the sector remains hemmed in by high costs, economic uncertainty and a slowing job market.

With the prospect of military action against Iran another potential headwind to the consumer wallet, we are expecting continued de-rating at the sector level through March. We'd need to see more from the Fed, or some downstream breakthroughs on AI innovation to change the narrative for the consumer, but at present those types of catalysts remain elusive.

We start March out of the Consumer Discretionary Sector with an **underweight allocation of -10.04% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

Fundamentals: Consumer Discretionary Sector

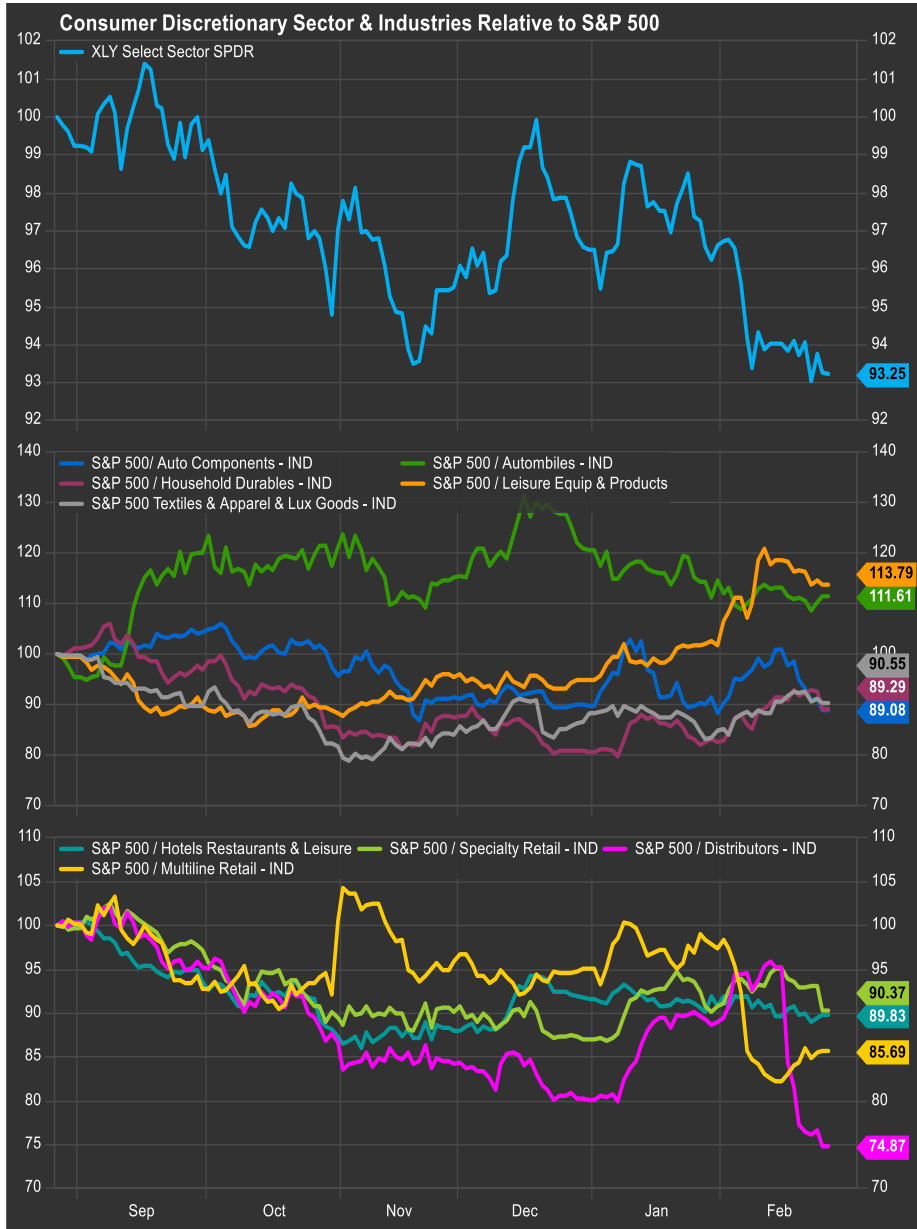


The chart (left) shows S&P 500 Consumer Discretionary Sector Margins, Debt/EBITDA, Valuation and Earnings

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

Valuation (chart, panel 3) remains at a premium to the S&P 500 on both a current and trailing basis. Guidance hasn't been enough to move forward year earnings consensus higher creating a backdrop where the sector is richly valued without clear bullish catalysts.

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



Consumer Discretionary Industries (chart, left): Near-term pullbacks in AMZN and TSLA have pressured the sector, but the peripheral picture isn't pretty.

Leisure stocks and Durables are improving on the margins in the near-term. Retail remains dormant. Auto stocks outside of TSLA have been a pleasant surprise.

Consumer Discretionary Sector Internals (chart, right): Market internal trends saw the **near-term series** hit 80% in mid-January, but softer economic data put the halt to the advance and renewed tariff and geopolitical uncertainty are expected to put upwards pressure on input prices in the near-term

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
GRMN	Garmin Ltd.	Consolidation	48,503.2	1.06	20.7	1.09	1.10	21.7
TPR	Tapestry, Inc.	Uptrend	31,770.7	0.91	38.1	0.65	2.28	20.1
DECK	Deckers Outdoor Corporation	Bullish Reversal	16,951.7	0.66	23.5	0.00	1.37	18.9
NCLH	Norwegian Cruise Line Holdings Ltd.	Consolidation	10,839.7	0.36	15.0	0.00	2.39	13.2
HAS	Hasbro, Inc.	Bullish Reversal	13,998.6	0.69	17.2	3.00	0.91	12.7
CCL	Carnival Corporation	Consolidation	39,203.6	0.48	12.4	1.27	3.31	11.0
RCL	Royal Caribbean Group	Bullish Reversal	84,675.4	0.68	6.7	0.88	2.09	8.8
MAR	Marriott International, Inc. Class A	Bullish Reversal	92,066.2	1.19	12.3	0.54	1.16	8.1
YUM	Yum! Brands, Inc.	Consolidation	45,674.5	0.98	6.2	1.22	0.34	8.0
MCD	McDonald's Corporation	Consolidation	236,569.9	1.00	4.4	1.49	0.29	7.1
PHM	PulteGroup, Inc.	Consolidation	25,864.2	0.52	3.0	0.49	1.65	7.0
F	Ford Motor Company	Bullish Reversal	56,545.7	0.37	9.2	2.95	1.40	7.0
ROST	Ross Stores, Inc.	Bullish Reversal	65,183.9	1.12	13.4	0.53	1.08	6.3

Pockets of specialty retail and travel stocks stayed on the outperform list. Lower rates may eventually support the housing market with investors taking a look at PHM.

However, the news for the near-term is on the laggard list. The Sector isn't likely to do well with AMZN and TSLA both there along with Growth names like DASH and CVNA.

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
CVNA	Carvana Co. Class A	Retracement	47,800.9	1.72	-16.0	0.00	4.42	-29.8
EXPE	Expedia Group, Inc.	Retracement	23,839.9	0.41	-22.2	0.45	1.60	-25.4
POOL	Pool Corporation	Downtrend	7,999.3	0.77	-21.6	1.21	1.35	-19.5
BKNG	Booking Holdings Inc.	Retracement	131,856.1	0.61	-21.7	0.66	0.95	-18.9
DASH	DoorDash, Inc. Class A	Retracement	70,948.9	2.34	-19.9	0.00	1.96	-17.0
GPC	Genuine Parts Company	Downtrend	16,090.8	0.59	-15.1	2.41	0.75	-15.6
AMZN	Amazon.com, Inc.	Consolidation	2,261,203.7	1.05	-12.6	0.00	1.31	-12.5
EBAY	eBay Inc.	Consolidation	38,227.8	0.56	-6.9	0.91	0.94	-9.4
CMG	Chipotle Mexican Grill, Inc.	Consolidation	48,840.9	1.28	-2.1	0.00	0.76	-8.8
ORLY	O'Reilly Automotive, Inc.	Consolidation	77,184.9	1.12	-12.8	0.00	0.36	-8.4
LVS	Las Vegas Sands Corp.	Consolidation	37,002.1	0.66	-15.0	1.35	1.29	-8.2
TSLA	Tesla, Inc.	Bullish Reversal	1,566,265.0	8.05	-1.6	0.00	1.74	-7.6
BBY	Best Buy Co., Inc.	Downtrend	13,060.3	0.37	-18.6	3.98	1.67	-7.6

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

February's discretionary tape was defined by **resilience in headline activity, but rising evidence of frictions beneath the surface**: consumers remained active enough to keep parts of retail/travel supported, yet the market kept gravitating to signals of **trade-driven price pressure, affordability fatigue, and housing drag**. In the February macro flow you pasted, consumer confidence improved to **91.2** (labor-market differential better), which is directionally supportive for discretionary demand even as "jobs/inflation" remains the gating factor for sustained upside. At the same time, inflation optics were not benign—December **core PCE rose 0.4% m/m and 3.0% y/y**, reintroducing "sticky services + tariff pass-through risk" as an ongoing discretionary headwind through pricing and real-income expectations. February's flash PMIs reinforced the same tension: activity slowed (manufacturing **51.2**, services **52.3**) while firms flagged **sharply rising input costs and higher selling prices**, a combination that historically pressures discretionary margins and/or volumes depending on pricing power.

Trade policy: tariffs shifted from a level problem to an uncertainty problem

Your daily briefs repeatedly framed "trade" as the dominant policy variable after the Supreme Court struck down IEEPA tariffs and the White House pivoted to alternative authorities. For discretionary, the immediate issue wasn't just incremental duty math—it was **forecastability**: retailers and brands have to set promotions, orders, and inventory months ahead. The administration's use of **Section 122** (temporary import surcharge, time-limited unless Congress extends) kept uncertainty elevated even as markets tried to interpret "relief" headlines. That uncertainty showed up in your recaps as (1) abrupt factor/sector rotations, (2) heightened single-stock dispersion, and (3) more cautious guidance language across consumer-facing reporters—especially where product mix is import-heavy or where demand is more discretionary at the margin.

Rates, housing, and affordability: the quiet but persistent drag

Across February, your notes consistently pointed to a **soft housing tone** and **affordability constraints** (homebuilder confidence slipping, pending sales weak, housing-related retail sensitive to guidance). For consumer discretionary, that matters through the "big ticket" channel (home improvement, furnishings, durable goods) and through consumer psychology. Even on days where broader equities bounced, discretionary leadership tended to be

selective—often concentrated in idiosyncratic winners (company-specific execution or price) rather than a broad-based "consumer is back" signal. In other words: **rates didn't need to spike to weigh on discretionary—staying higher-for-longer was enough to keep housing-linked categories on a shorter leash**.

Geopolitics and energy: Iran risk mattered through gasoline and risk appetite, but didn't dictate the month

Your February tape repeatedly highlighted rising odds of limited U.S. military action and ongoing U.S.–Iran negotiations. For discretionary, the transmission mechanism was **energy volatility** and "risk-off" pulses (travel/leisure, autos, and other cyclical discretionary categories can react quickly when oil jumps). Still, as your briefs noted, geopolitics tended to be **more of a volatility catalyst than a durable directional driver**—unless it fed a sustained move in crude or a broader tightening in financial conditions.

March setup: what matters most for Consumer Discretionary

March's discretionary outlook is essentially a balance between **policy clarity, inflation optics, and housing/real-income momentum**. If the market gets (1) **less churn on tariffs** (even if tariffs remain elevated), (2) **cooler near-term inflation prints** that re-open the "cuts later this year" narrative without reigniting recession fears, and (3) stabilization in housing-linked indicators, discretionary can participate more consistently. But if March brings **another uncertainty shock** (tariff mechanics, geopolitics feeding crude, or inflation surprises that push rates higher-for-longer), the sector likely stays **highly selective**, with leadership biased toward brands/retailers that can defend margins and drive traffic without relying on heavy discounting.

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.