

[ETFSector.com](https://www.ETFSector.com)

Monthly Insights: March Outlook

Financial Sector

Patrick Torbert, CMT

Editor & Chief Strategist

Sector Price Action & Performance Review: Financial Sector



The Financial Sector continued to sell off during February as a combination of soft economic data, shifting tariff dynamics and intense pressure on the software and crypto industries took its toll on Financial stocks.

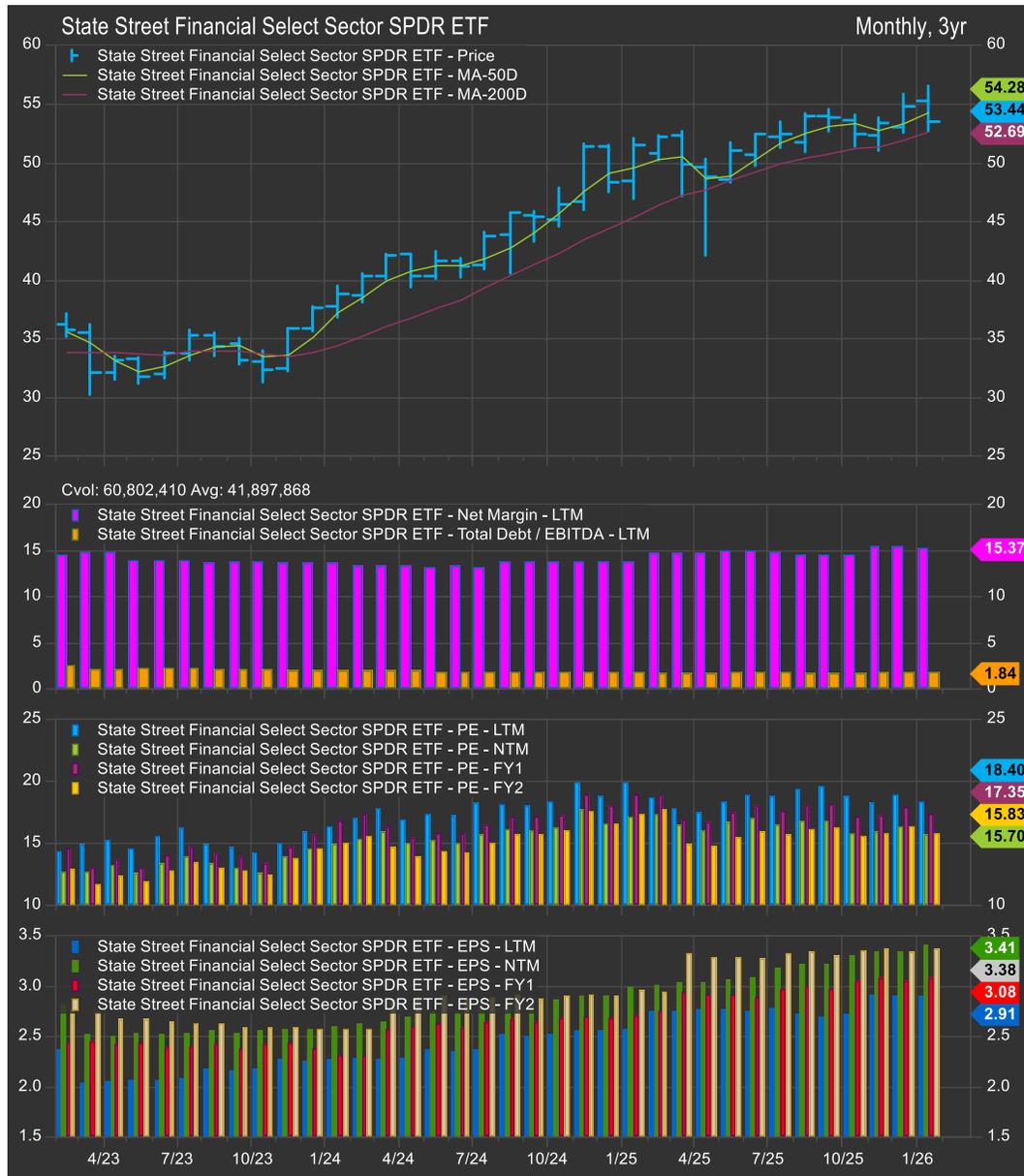
From a technical perspective, areas of the Financial sector like Diversified Services and Insurance industries didn't provide any benefit when investors rotated towards defensive shares. Rotation continued to favor commodities exposures and, more recently, low vol. sectors.

From the fundamental side, private equity and private credit firms in the capital markets space continued to be under pressure through weakness in BDC's and other credit vehicles. Payment stocks, crypto stocks and consumer finance names rolled over as economic prints weakened along with investor risk appetite.

With the Fed projected to cut twice this year after a significant pause to let inflation cool, there aren't obvious bullish catalysts hitting the tape at present. With tariffs again in the news, the setup isn't particularly favorable for what is usually a reliable bull market exposure.

We start March out of the Financial Sector with an **underweight allocation of -12.45% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

Fundamentals: Financial Sector



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

Margins ticked higher through the most recent earnings season (chart, panel 2) while valuation multiples contracted in the near-term (panel 3) as higher multiple parts of the sector continue to see selling.

Valuation remains at a discount to the S&P 500 but consensus earnings upside isn't particularly robust.

Industry/Sub-Industry Performance and Breadth: Financial Sector



Financial Industries (chart, left): Most industries end February bouncing off worst levels of the past 12-months. Banks have held up the best. But that is faint praise

Internals (chart, right): Internals have swung wildly as the sector has been whip-sawed by Fed. easing expectations and then Geopolitical developments. Now it is back at oversold wash-out levels with prices under-cutting November 2025 lows. Not a pretty picture.

Top 10/Bottom 10 Stock Level Performers: Financial 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
CB	Chubb Limited	Bullish Reversal	131,658.5	0.50	10.9	0.79	0.26	10.6
AIG	American International Group, Inc.	Consolidation	43,005.3	0.40	3.2	1.59	0.21	10.3
TRV	Travelers Companies, Inc.	Consolidation	65,900.7	0.45	4.2	0.99	0.49	9.2
HIG	Hartford Insurance Group, Inc.	Bullish Reversal	38,913.3	0.42	2.5	1.12	0.56	9.1
CME	CME Group Inc. Class A	Bullish Reversal	110,833.0	1.03	7.9	2.45	0.00	8.2
ALL	Allstate Corporation	Consolidation	54,328.6	0.33	-0.6	1.35	0.16	7.5
BEN	Franklin Resources, Inc.	Bullish Reversal	14,196.0	0.40	13.1	3.18	1.69	7.2
L	Loews Corporation	Bullish Reversal	22,552.5		2.6		0.43	7.0
ACGL	Arch Capital Group Ltd.	Consolidation	36,030.5	0.42	3.4	0.00	0.03	6.3
WRB	W. R. Berkley Corporation	Consolidation	27,201.9	0.62	-4.1	1.06	0.43	6.2

Stock level return dispersion was clearly skewed to the downside this month. Asset managers, payment stocks and consumer finance names suffered while Insurance names improved on defensive rotation

Private equity, rating agencies and services stocks continue to face extreme selling pressure due to AI disruption fears.

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
FDS	FactSet Research Systems Inc.	Downtrend	7,665.4	0.46	-33.6	1.39	0.41	-28.5
HOOD	Robinhood Markets, Inc. Class A	Retracement	61,252.9	1.26	-33.7	0.00	4.09	-28.1
ARES	Ares Management Corporation	Retracement	25,844.5	0.72	-27.6	2.98	1.04	-24.1
XYZ	Block, Inc. Class A	Downtrend	28,445.8	0.62	-26.1	0.00	3.45	-22.8
BX	Blackstone Inc.	Retracement	88,509.9	0.72	-23.6	3.04	1.73	-21.1
SPGI	S&P Global, Inc.	Retracement	126,574.7	0.85	-21.1	0.60	1.05	-21.0
KKR	KKR & Co Inc	Retracement	86,141.1	0.58	-25.4	0.54	2.07	-20.7
FIS	Fidelity National Information Services, Inc.	Downtrend	25,241.8	0.31	-27.4	2.66	0.98	-19.4
PYPL	PayPal Holdings, Inc.	Downtrend	43,565.8	0.35	-26.0	0.48	1.46	-17.0
JKHY	Jack Henry & Associates, Inc.	Consolidation	11,297.1	0.90	-13.3	0.95	0.57	-16.0

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: Financial Sector

Macro & Rates: “Risk-Off + Curve Moves” Worked Against Financial Beta

February’s Financials drawdown was most acute on the market’s largest risk-off day: **Feb. 23**, when the sector fell **~3.33%** (worst group in the tape you pasted) alongside a broader equity selloff tied to AI-disruption fears and tariff-policy fallout. The month’s push-pull was driven by two cross-currents that are generally unfriendly for banks at the margin: (1) recurring risk-off rotations (credit sensitivity, fee-income sensitivity), and (2) a rates backdrop that oscillated between **growth-slower / inflation-sticky** narratives—reinforcing uncertainty around the path of cuts and the slope of the curve. Fed commentary reinforced “data dependence” and a tighter distribution of near-term outcomes, with Fed Gov. Waller framing the March decision as a close call contingent on labor data.

Policy: Tariffs Shifted From “Direction” to “Uncertainty Premium”

A key February policy shock was the Supreme Court decision that curtailed the administration’s use of IEEPA-based tariff authority, immediately followed by efforts to re-route tariff policy through alternative authorities—keeping the *uncertainty* channel wide open even as the market tried to price the *level* of tariffs. For Financials, the transmission was less about direct tariff incidence and more about second-order effects: business confidence, capex intent, inventory behavior, and the rate/term-premium response. In practice, that showed up as intermittent pressure on banks and brokers even on “up” tape days—consistent with a sector that needs macro visibility and stable risk appetite to sustain multiple expansion.

AI Disruption: Why Financials Were Hit So Hard on Feb. 23

The February headlines you pasted repeatedly flagged **AI-disruption spillover beyond software**, including *wealth, data services, advisory, CRE brokers, freight/logistics intermediaries*, and other fee-based or intermediation-heavy models. That narrative mattered for Financials because it attacked the sector’s **non-NII** pillars—payments, asset/wealth fees, capital markets activity, and certain servicing/processing lines—at a time when investors were already wary of duration and credit. Barron’s coverage explicitly tied the day’s Financials weakness to AI worries impacting financial stocks. Even if the *timeline* of disruption is debatable, February price action showed the market was willing to de-rate exposed business models quickly when volatility rose.

Private Credit & “Shadow Banking” Stress Bled Into Financial Sentiment

Another February pressure point was renewed scrutiny of private credit and fund-liquidity mechanics—relevant both directly (alts/PE managers, BDCs) and indirectly (bank credit, funding markets, risk sentiment). Blue Owl’s actions around asset sales and redemption terms became a focal point in the broader “liquidity + marks” debate. The sector-level implication: when private-credit headlines intensify, the market tends to widen the lens to *credit availability, underwriting standards, and contagion channels*—usually a headwind for Financials multiples, even if bank balance sheets are not the epicenter.

Earnings/Guidance: NII Is Not Enough When Fee Lines Are Questioned

Within the February tape you shared, **JPMorgan modestly raised its 2026 total firm NII guide**, but that didn’t translate into durable leadership for the group when AI-disruption concerns and policy uncertainty were dominating positioning. The sector’s February problem wasn’t “NII vs. expectations” in isolation—it was the market’s willingness to pay for the **fee-growth + credit-cost + duration** bundle. When investors fear (a) fee compression from disruption, (b) higher volatility impairing issuance/M&A windows, or (c) credit normalization, the group’s valuation support weakens quickly.

March 2026 Setup: What Would Change the Financials Tape

March’s path for Financials hinges on whether the market gets **macro clarity** or **more uncertainty premiums**. If growth stabilizes and inflation data de-escalates enough to reduce tail-risk around rates (without collapsing the curve), banks can regain footing—especially if capital markets activity firms and private-credit headlines quiet. Conversely, if tariff policy remains fluid (process questions, refund questions, scope questions) and AI-disruption continues to pressure fee-heavy models, investors are likely to keep leaning toward **lower-vol defensives and commodity-linked cash flows** rather than adding cyclical financial beta. The key tell will be whether Financials can outperform on “good macro” days *without* underperforming on “AI-policy uncertainty” days—February’s pattern was the opposite.

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.