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Monthly Insights: March Outlook

# Materials Sector

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# Sector Price Action & Performance Review: Materials



The Materials Sector finishes February in what appears to be a bullish consolidation of a multi-month upside reversal. Trends that have been supporting the sector including weak USD, demand for hard assets, and Geopolitical focus continue to be present as the calendar flips to March.

From a technical perspective, a persistent bid above the 50-day moving average as the rally has paused underscores the potential for continued bullish rotation into the sector as near-term momentum hit levels that often occur at the beginning of major trend change.

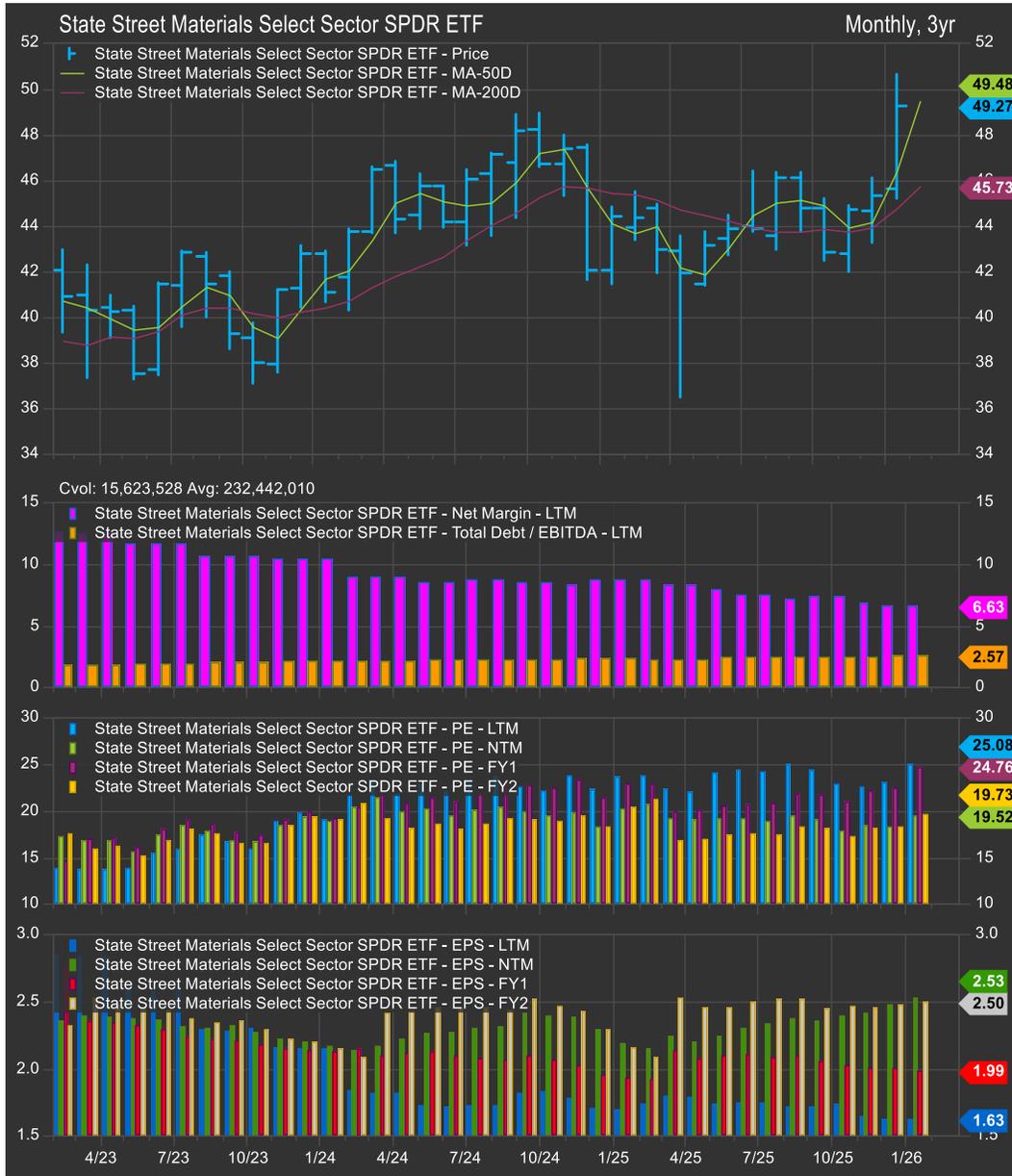
Fundamentally there has been improvement at the stock level. Better than expected earnings reports have begun to boost Chemicals and Packaging names in the near-term, though recent indications of economic moderation have been a headwind to construction materials names.

Base and precious metal miners are a strong momentum trade. USD remains weak vs. broad global currency baskets and particularly weak against commodities currencies like the Aussie dollar and the Looney.

Trade policy as a political cudgel is what we're seeing and investors are interpreting it as a call to increase exposure to physical/real assets in the near-term. Given that the Materials sector was structurally oversold less than 3-months ago, we think there's more potential upside while these macro conditions remain in force.

**We start March with an overweight allocation of +11.00% in the Materials Sector in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

# Fundamentals: Materials Sector



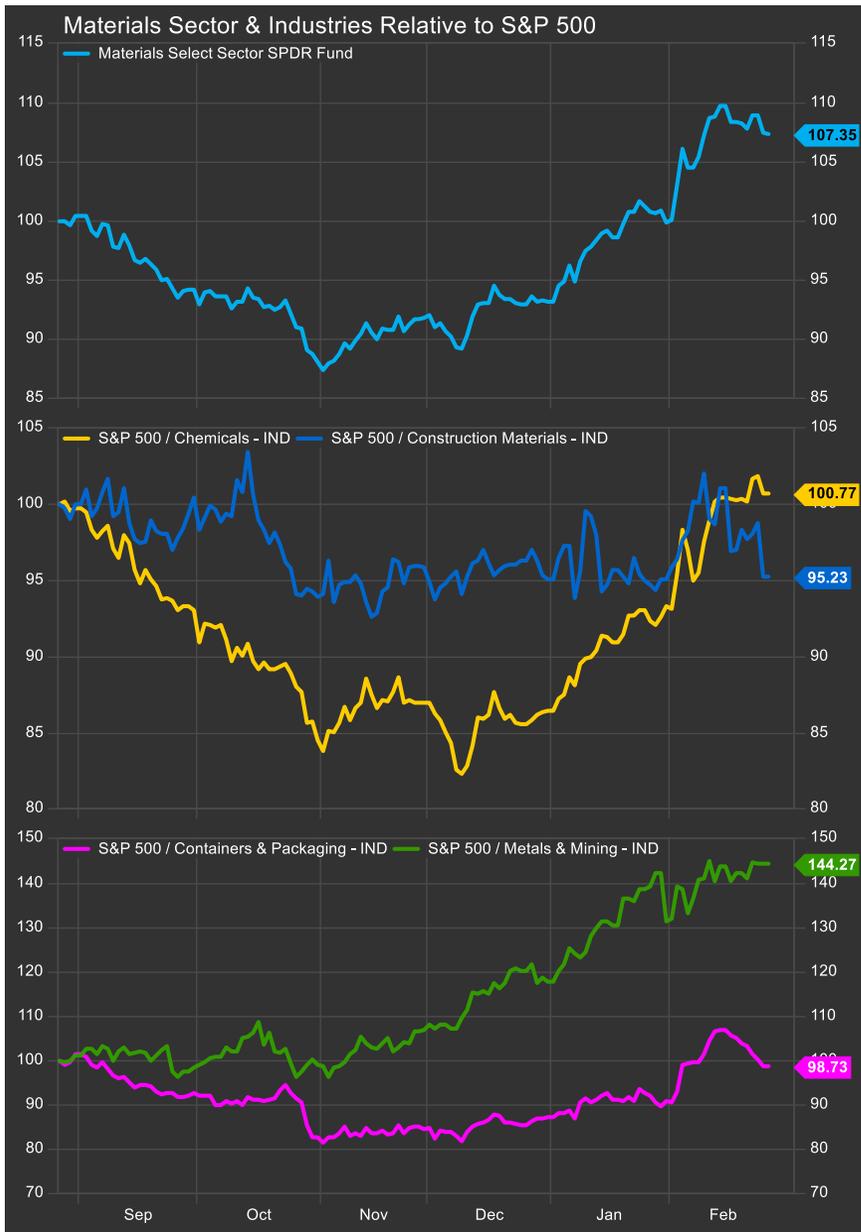
The chart (left) shows S&P 500 Materials Sector Margins, Debt/EBITDA, Valuation and Earnings

Margins continue to contract (chart, panel 2) which hasn't stopped investors from piling in to the sector in the near-term.

Valuation multiples (chart, panel 3) are expanding.

The sector remains in a weak fundamental position, but the macro backdrop is very supportive based on our historical analysis of sector performance when commodities prices are rising against the backdrop of a weakening USD.

# Industry/Sub-Industry Performance and Breadth: Materials



**Materials Industries** (chart, left): Metals & Mining stocks outperformed even amidst some consolidation while the Chemicals industry has established a bullish reversal. Construction Materials names have dipped on economic concerns while C&P names made gains again in February despite ending the month on a pull-back

**Materials Sector Internals** (chart, right): With laggard industries reverting higher in the near-term, the Materials sector hit above the 90% level on the **short-term series**. Now joined by the **longer-term series**, this represents a clear momentum surge for the sector which typically has follow through beyond the near-term.

# 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
BALL	Ball Corporation	Bullish Reversal	17,569.1	0.65	23.4	0.82	1.11	14.6
DD	DuPont de Nemours, Inc.	Bullish Reversal	20,748.8	0.87	28.7	1.39	0.89	14.4
FCX	Freeport-McMoRan, Inc.	Bullish Reversal	98,908.2	0.90	46.5	0.59	1.12	13.4
LIN	Linde plc	Bullish Reversal	237,336.1	1.13	14.4	0.85	0.60	12.0
AMCR	Arcor PLC	Consolidation	22,557.1	0.46	13.1	3.56	0.77	11.2
LYB	LyondellBasell Industries NV	Consolidation	18,283.1	0.82	12.6	5.96	0.74	10.7
PPG	PPG Industries, Inc.	Consolidation	27,516.7	0.61	14.1	1.57	0.99	9.7
IFF	International Flavors & Fragrances Inc.	Consolidation	20,457.0	0.71	11.5	1.40	0.90	8.5
ECL	Ecolab Inc.	Consolidation	86,429.3	1.42	7.6	0.63	1.02	8.2
CTVA	Corteva Inc	Bullish Reversal	52,234.9	0.84	9.3	0.64	0.77	7.8
APD	Air Products and Chemicals, Inc.	Consolidation	62,410.5	0.84	2.7	1.73	0.83	6.7
DOW	Dow, Inc.	Consolidation	21,540.4		19.0	3.13	0.69	5.7
SW	Smurfit Westrock PLC	Consolidation	24,004.9	0.69	15.2	2.67	1.36	5.3
STLD	Steel Dynamics, Inc.	Bullish Reversal	27,970.1	0.54	15.7	0.73	1.12	5.1
CF	CF Industries Holdings, Inc.	Consolidation	14,995.4	0.48	12.8	1.38	0.76	4.1
MLM	Martin Marietta Materials, Inc.	Bullish Reversal	40,607.5	1.28	4.6	0.35	0.95	3.1
ALB	Albemarle Corporation	Bullish Reversal	23,082.7	0.97	54.7	0.59	1.57	2.8
AVY	Avery Dennison Corporation	Consolidation	14,901.8	0.75	6.5	1.34	0.88	2.3
SHW	Sherwin-Williams Company	Consolidation	88,517.5	1.17	-1.0	0.57	1.54	2.0
IP	International Paper Company	Consolidation	23,054.2	0.91	1.8	2.92	1.15	1.9
PKG	Packaging Corporation of America	Consolidation	20,777.5	0.84	7.1	1.44	0.95	1.9
VMC	Vulcan Materials Company	Consolidation	39,896.2	1.27	0.5	0.45	0.97	1.3
NEM	Newmont Corporation	Uptrend	135,821.1	0.52	34.7	0.54	0.45	-0.1
CRH	CRH public limited company	Uptrend	80,297.0	0.79	-0.9	0.87	1.50	-2.7
NUE	Nucor Corporation	Bullish Reversal	40,160.1	0.58	5.6	0.84	1.66	-3.9
MOS	Mosaic Company	Consolidation	8,563.7	0.54	-2.4	2.14	0.73	-6.8

Mining concerns continue to lead the sector over the intermediate-term, but chemicals names (LIN, DD, CTVA) are starting to strengthen as investors look to diversify. Containers and Packaging stocks have improved in the near-term as well, though improvement is not uniform.

The metals trade has paused to some extent, but we expect the “dip” to be bought.

## 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: Materials Sector

## 1. Tariffs, Policy Uncertainty, and the Cost Curve

The most important policy driver for Materials was the **re-setting of U.S. tariff authority** after the Supreme Court decision on IEEPA tariffs and the administration's rapid pivot to **Section 122**.

Section 122 explicitly allows a **temporary import surcharge up to 15%** for **up to 150 days** (unless extended by Congress), keeping uncertainty elevated even after the IEEPA channel was constrained.

For Materials, tariff uncertainty transmits through three practical mechanisms:

**Input-cost volatility:** higher landed costs for industrial inputs/intermediates, plus inventory/forward-buy distortions

**Demand confidence:** downstream customers (industrial, construction, consumer durables) delay orders amid changing price lists

**Relative pricing power:** producers with domestic capacity and contractual pass-through can look “defensive cyclicals,” while price-takers lag

## 2. USD and Rates: Financial Conditions as the Macro Governor

Materials performance in February was highly sensitive to **financial conditions**, especially **USD**

**Outlook for March 2026 direction and rate volatility.** Across your daily recaps, DXY repeatedly hovered around the **97–98** area while yields stayed roughly in the **~4% 10-year** neighborhood.

That mix matters:

A **firmer dollar** is a headwind for USD-priced commodities and for translation/competitiveness globally.

**Range-bound but jumpy yields** kept “growth vs. inflation” narratives unstable—good for dispersion, less good for sustained Materials leadership.

In short: Materials spent February trading as a macro factor (inflation hedge + global cyclical) rather than as an earnings story.

## 3. Metals Complex: AI/Infrastructure Demand vs. China/Global Growth Debate

The industrial metals backdrop was supportive in a structural sense but noisy tactically. Copper, for example, had a strong start to 2026—helped by **AI infrastructure build-out, supply disruptions, and tariff-driven flow dynamics**—but still traded with macro risk appetite and China demand expectations.

That maps to what you saw in February: “copper/aluminum” strength on certain risk-on sessions,

but also days where “industrial metals” lagged as AI-disruption concerns and growth uncertainty hit cyclicals. The sector's inability to string together sustained outperformance is consistent with a market that's not willing to fully embrace a global reacceleration narrative.

## 4. Precious Metals and Real-Asset Rotation

A key February cross-asset feature in your recaps was the **strong precious metals bid** (gold and silver repeatedly described as ripping higher). That matters for Materials because it lifts the **miners** subset even when the broader chemicals/packaging/building materials complex is struggling.

So Materials' internal breadth mattered: parts of the sector behaved like **real-asset defensives**, while economically sensitive sleeves behaved like **late-cycle cyclicals** exposed to housing softness and industrial uncertainty.

## 5. Commodity-Specific Supply Shock: Lithium Tightening as a Materials Catalyst

Late February brought a clear, Materials-relevant supply shock: **Zimbabwe suspended exports of raw minerals and lithium concentrates**, which immediately tightened perceived battery-material supply and supported lithium-linked equities.

The key point for Materials investors is that 2026 is increasingly a **micro-supply** story market-by-market (lithium, copper, alumina, etc.) rather than a uniform “commodities up” trade. February's tape reinforced that selective reality.

Materials enters March as a **cross-asset positioning valve**: it can work when inflation risk and real assets are bid, when tariff-driven pricing power improves, or when AI/infrastructure demand dominates the narrative; it tends to struggle when the **USD firms**, when growth data softens, or when policy uncertainty freezes downstream ordering. The sector's near-term setup is therefore path-dependent on (1) how markets digest the **Section 122 tariff window** and any escalation/retaliation signals, (2) whether U.S. data (ISM, labor, inflation prints) re-accelerates enough to validate cyclicals, and (3) whether commodity leadership stays **selective** (copper/lithium) versus broad (chemicals/building products). If the market remains in “Value/real assets over Growth” mode, Materials can stay relevant—but leadership is most likely to be **metals and specialty supply stories**, not a uniform sector beta move.

2/26/2026

# 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.