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Monthly Insights: March Outlook

Consumer Staples Sector

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Sector Price Action & Performance Review: Consumer Staples Sector



The Consumer Staples sector finally caught a bid in January as slumbering giants WMT and COST finally had delivered earnings that were able to clear the lowering bar of expectations.

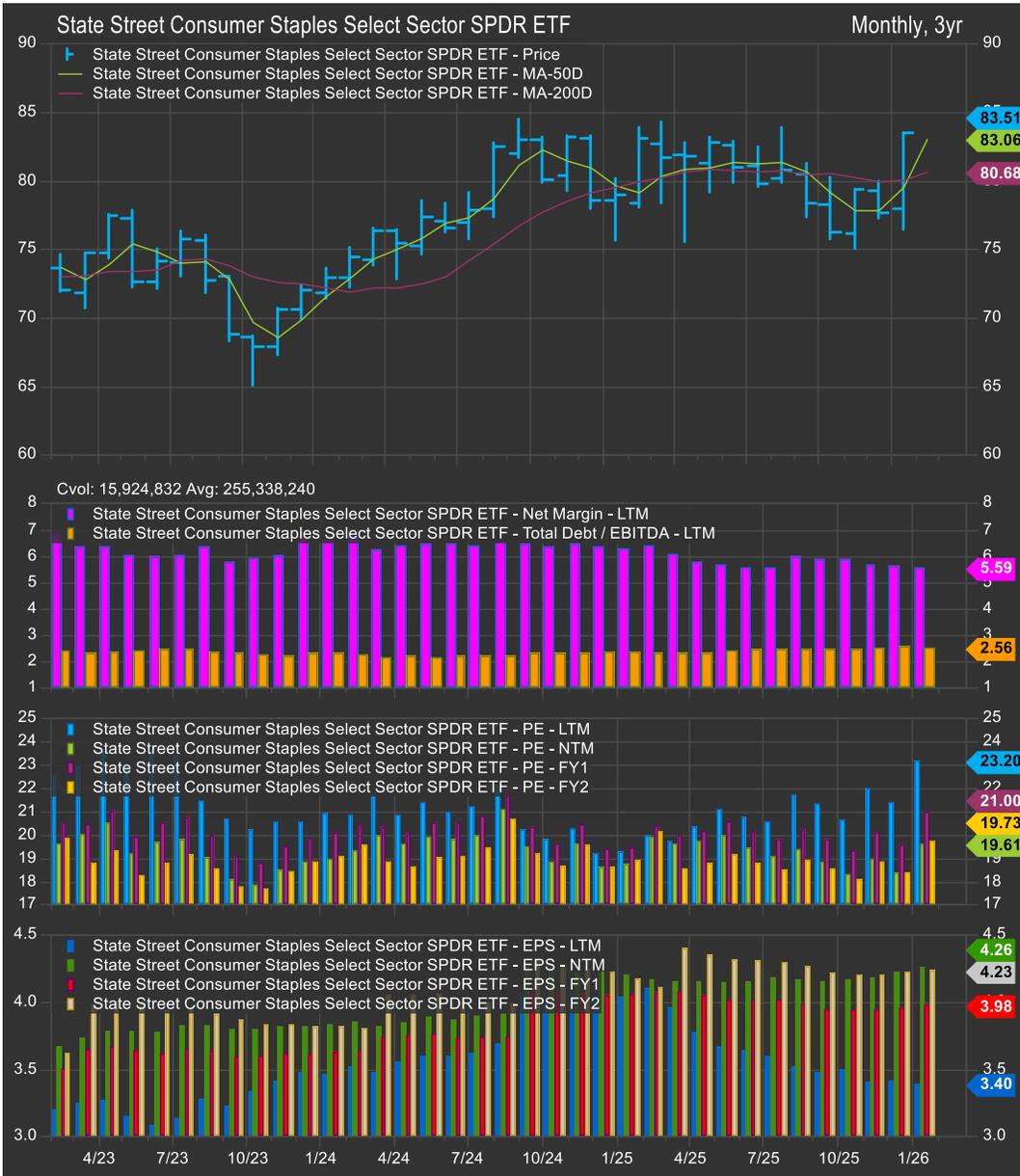
From a technical perspective January's near-term strength was confirmed by the move above \$84 on the XLP price chart. With eco data softening and concerns about AI competition, disruption and multiple compression deepening, we think traditionally low volatility sectors like Staples are well positioned this month.

From a fundamental perspective, tariff driven cost pressures could re-emerge as a problem, but overall, investors seem keen to rotate towards haven exposures in the near-term as Growth related profit-taking continues. Staples retailing majors COST and WMT both posted better than expected numbers on their recent earnings releases. Other low cost retailers and dollar stores also firmed on better results.

Interest rate levels and Fed policy remain critical swing factors for the sector, but at present eco data prints and interest rates are aligning as tailwinds for sector performance.

We start March with an overweight allocation of +7.20% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

Fundamentals: Consumer Staples Sector

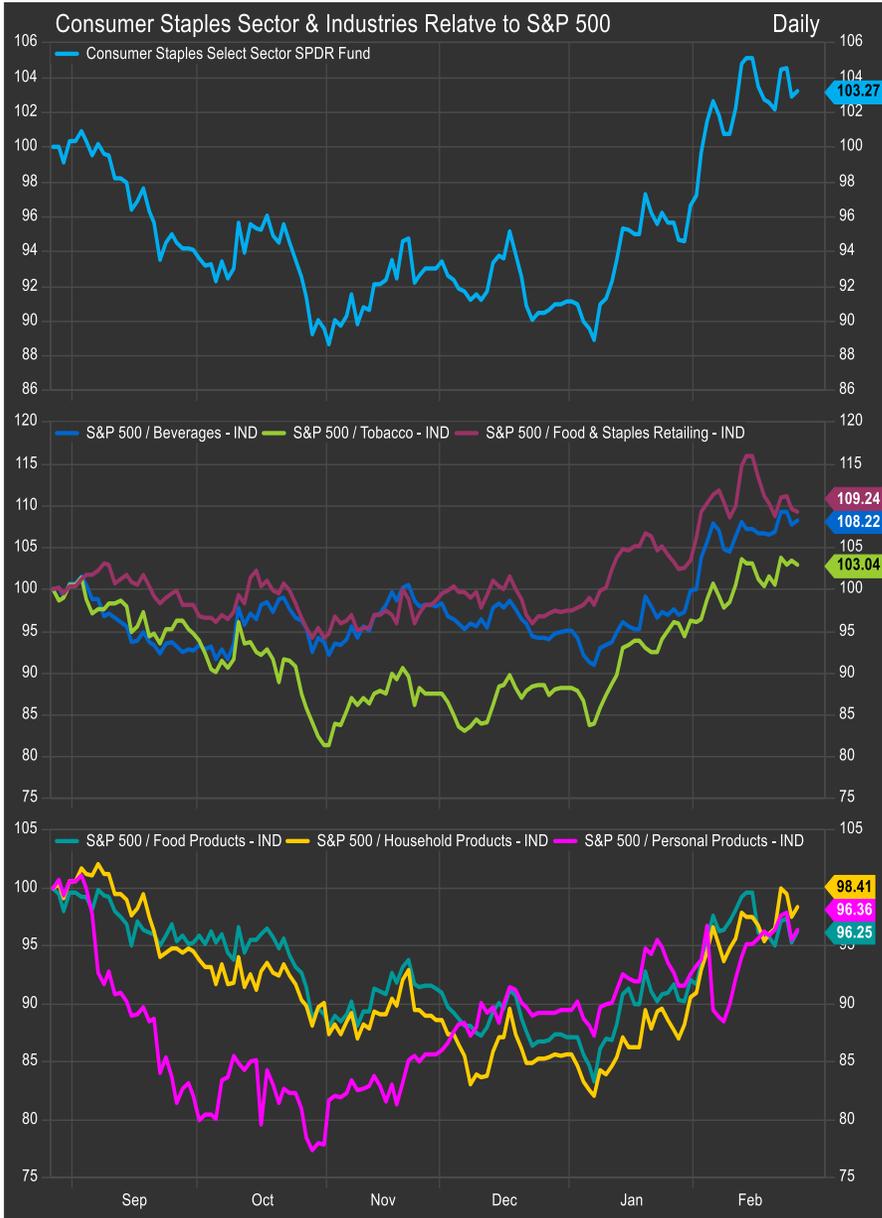


The chart (left) shows S&P 500 Consumer Staples Sector Margins, Debt/EBITDA, Valuation and Earnings

Margins compressed again in December(chart, panel 2)

Valuation (chart, panel 3) multiples are starting to look cheaper on a forward basis after a constructive round of earnings reports for the sector

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



Consumer Staples Industries (chart, left): Near-term has broadened out to include each industry within the Staples Sector.

Consumer Staples Sector Internals (chart, right): Internal trends have pivoted higher after the **near-term series** made a 12-month high in January of 2026. We think there's more potential for the sector to reflate if the Fed can resuscitate the consumer at least to a certain degree.

Top 10/Bottom 10 Stock Level Performers: Consumer Staples 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
HSY	Hershey Company	Bullish Reversal	34,004.5	1.07	20.6	1.65	0.02	20.4
PEP	PepsiCo, Inc.	Consolidation	231,196.0	0.78	13.5	2.31	0.34	16.5
SYF	Sysco Corporation	Bullish Reversal	42,687.1	0.73	13.7	1.60	0.71	16.4
MKC	McCormick & Company, Incorporated	Consolidation	18,523.0	0.88	2.3	1.84	0.52	13.0
MO	Altria Group, Inc.	Bullish Reversal	117,003.4	0.50	12.8	4.13	0.18	12.0
CLX	Clorox Company	Consolidation	15,263.9	0.78	11.7	2.61	0.86	12.0
CHD	Church & Dwight Co., Inc.	Consolidation	24,528.6	1.09	14.6	0.79	0.41	11.9
CL	Colgate-Palmolive Company	Bullish Reversal	77,485.6	0.99	14.3	1.47	0.27	11.0
KO	Coca-Cola Company	Bullish Reversal	346,079.2	0.99	9.3	1.76	0.24	9.9
PM	Philip Morris International Inc.	Bullish Reversal	295,457.8	0.89	13.5	2.09	0.24	9.1

A broad range of Staples names are benefitting from near-term rotation into lower vol. exposures.

KO and PEP highlight beverages while MO and PM are back in favor after a prolonged time out in 2025. Even brand name lines like CLX and MKC are being picked up.

Not shown, sector heavyweight WMT has turned around and is outperforming again as well.

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
EL	Estee Lauder Companies Inc. Class A	Bullish Reversal	27,916.0	1.65	12.7	0.86	1.57	-4.6
TAP	Molson Coors Beverage Company Class B	Consolidation	8,476.7	0.40	-4.0	2.72	0.49	-4.3
STZ	Constellation Brands, Inc. Class A	Consolidation	26,895.4	0.50	4.4	1.74	0.27	-2.2
CPB	Campbell's Company	Downtrend	7,897.6	0.42	-12.8	3.92	-0.01	-1.7
DLTR	Dollar Tree, Inc.	Bullish Reversal	25,393.6	0.76	9.6	0.00	1.06	-1.5
GIS	General Mills, Inc.	Downtrend	23,765.7	0.51	-6.8	3.63	0.00	-0.6
ADM	Archer-Daniels-Midland Company	Bullish Reversal	32,457.1	0.66	5.1	2.08	0.84	0.1
COST	Costco Wholesale Corporation	Bullish Reversal	441,543.5	1.88	3.9	0.36	0.89	0.8
TSN	Tyson Foods, Inc. Class A	Bullish Reversal	17,660.4	0.61	4.5	2.18	0.38	1.0
BFB	Brown-Forman Corporation Class B	Consolidation	13,112.3	0.65	-5.2	2.17	0.38	1.4

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 Staples Sector

Demand and pricing: “defensive bid” met a more promotion-heavy consumer

Staples repeatedly showed up as a **rotation beneficiary** when growth/tech and financials were under pressure—investors leaned into staple cash-flow durability as the market obsessed over AI-disruption risks, private-credit spillovers, and policy uncertainty. But the fundamental backdrop for staples demand was **not cleanly bullish**: the month’s consumer commentary increasingly pointed to **trade-down behavior and heavier promotions**, which matters because staples’ relative safety can coexist with **margin pressure** if volumes soften and price/mix tails off. That dynamic surfaced directly in company-specific news you pasted (e.g., **General Mills -7.0%** on Feb 17 after cutting outlook/guidance, framed around a “more challenging” consumer and promotion intensity). Reuters reported GIS guided to annual sales down **~1.5% to 2%** versus a prior range that included modest growth—explicitly tying the reset to weakening category volumes and more promotional purchasing.

Inflation, tariffs, and policy uncertainty: the swing factor is not the “level,” it’s the “path”

Policy uncertainty was a persistent February macro overhang in your notes (SCOTUS tariff ruling, shifting tariff authorities, and rolling headlines on the next mechanism). Staples are especially sensitive to **input-cost volatility** (packaging, freight, agricultural commodities) and to **pass-through timing** versus retailers. On inflation: December **core PCE ran hot at 0.4% m/m and 3.0% y/y**, keeping “sticky price pressure” in the conversation even as growth cooled. Meanwhile, February flash PMI commentary (from your pasted brief) flagged higher input costs and selling prices—an environment where staples can maintain nominal sales but face **elasticity and mix** risks. On tariffs: the February pivot toward **Section 122** (temporary import surcharge up to 15% for 150 days) is the kind of policy shift that can change **packaging/materials costs and sourcing decisions** at the margin while complicating forward guidance; the White House fact sheet and legal commentary both emphasize the temporary, time-limited structure (and therefore the uncertainty around extension and legal challenge).

GLP-1 consumption effects: a slow-moving but increasingly investable staples theme

One of the more important “second-derivative” staples stories in February was the market’s growing focus on how GLP-1 adoption could reshape food and beverage demand. Reuters reported global food and beverage companies are moving toward **shorter ingredient lists and smaller pack sizes** as GLP-1 usage rises—an adaptation theme that can drive **portfolio shifts, innovation spend, and packaging strategy**, while pressuring certain indulgence-heavy categories and benefiting “better-for-you” subsegments over time. This matters for staples positioning because it introduces a structural dispersion layer: staples may act defensive at the index level, but **category mix and brand positioning** increasingly drive single-stock outcomes.

March setup: what matters most for Staples

For March, Staples’ relative appeal remains tied to whether the market stays in a **high-dispersion, policy-uncertainty regime**. If tariffs remain “uncertain in implementation” (even if not dramatically higher in economic effect), and if inflation prints keep the Fed in a wait-and-see stance, staples can continue to attract **low-volatility flows**—but the upside will likely be capped unless earnings revisions stabilize and promotion intensity eases. The key swing variables are (1) whether input-cost pressure (materials/packaging/freight) accelerates or normalizes, (2) whether retailers push harder on price to protect traffic, and (3) how quickly the GLP-1-driven mix shift becomes visible in volumes across the center-of-store vs perimeter categories.

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.