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Monthly Insights: March Outlook

Utilities Sector

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Sector Price Action & Performance Review: Utilities

The Utilities Sector was catalyzed by weaker employment and GDP readings in February along with continued geopolitical turmoil. This time Iran is the locus of the Administration's military agenda with potential consequences for input costs along with those already pressured by renewed tariff uncertainty.

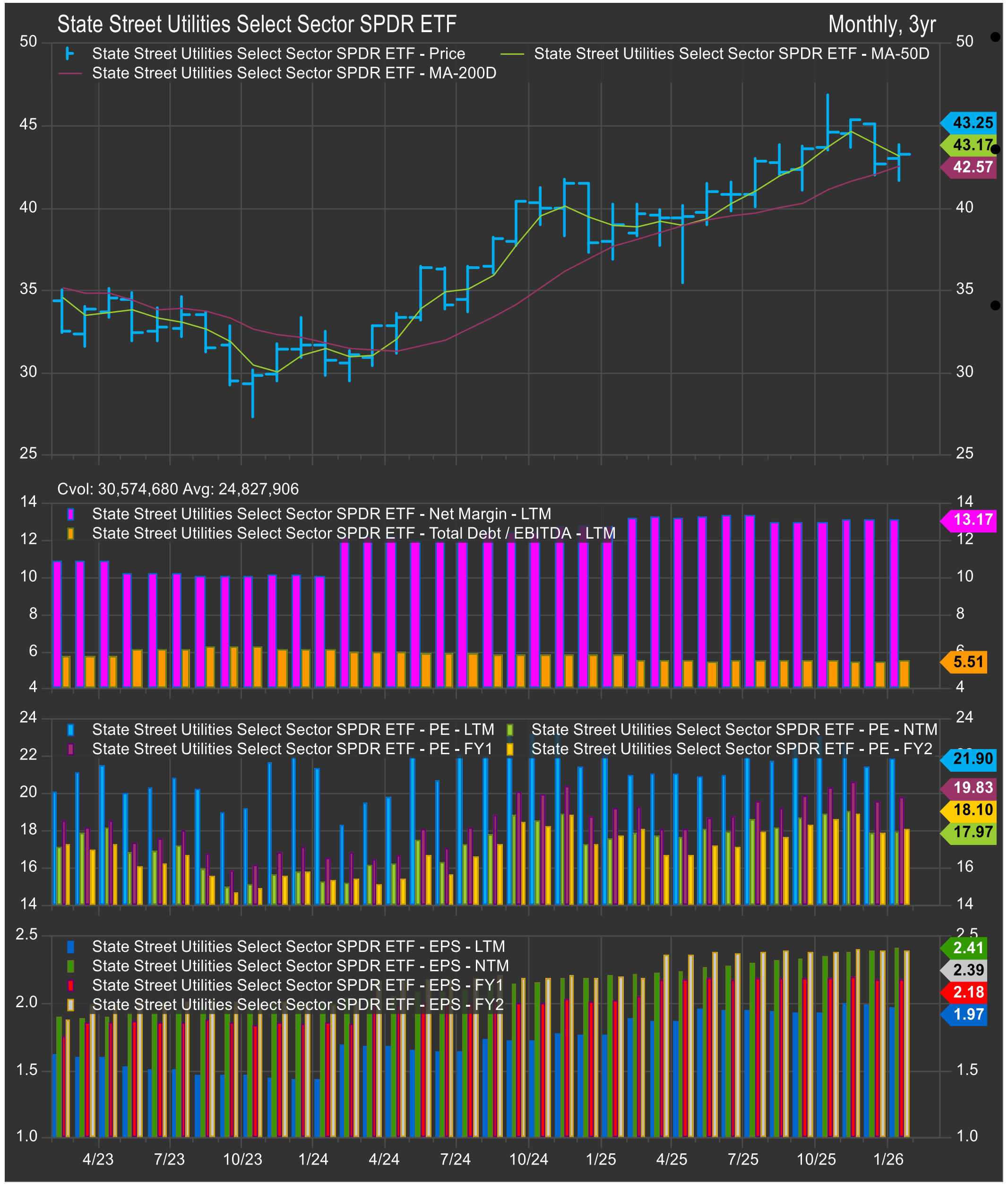
The macro picture has shifted further in a disinflationary direction with economic data weakening as investor enthusiasm for the AI narrative wanes concurrently. Against this backdrop we've seen investors start an earnest rotation into low vol. equity exposures.

With input prices now moving higher, the only thing missing from an inflationary setup is a higher CPI reading. Those have been trending in the opposite direction over the past 3 months, but primarily because the economy is starting to show some signs of weakness. This setup, with the S&P 500 still just a few points from all-time highs, has potential for index level correction and we think that would redound to the benefit of the Utilities sector.

We've moved to a more defensive posture this month with an allocation to Utilities a key part of our defensive hedge.

We start March overweight the Utilities Sector with an allocation of +5.07% to the Utilities Sector in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

Fundamentals: Utilities Sector



- The chart (left) shows S&P 500 Utilities Sector Margins, Debt/EBITDA, Valuation and Earnings
- Net Margin at the sector level are just off highs for the past 12-months (chart, panel 2) While total debt to EBITDA remains at low levels
- Valuation (chart, panel 3) is lofty on a trailing 12-month basis …however the forward picture is improving and lofty valuation is potential negative for almost every sector relative to historical levels.

Industry Performance and Breadth: Utilities

- **Utilities Industries** (chart, left): Industry strength was universal within the sector for February
- **Utilities Sector Internals** (chart, right): Internals are peaking with consistent readings in both series above 80% (middle panel). There are growing signs of defensive rotation in the near-term.

Stock Level Performers: Utilities

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
PCG	PG&E Corporation	Bullish Reversal	40,992.1	0.45	18.7	0.70	0.13	24.2
EIX	Edison International	Bullish Reversal	28,936.3	0.49	27.4	3.10	0.49	23.2
NRG	NRG Energy, Inc.	Uptrend	39,412.7	0.79	15.4	0.72	1.50	22.8
AES	AES Corporation	Bullish Reversal	11,657.4	0.29	16.4	2.88	0.97	15.7
ETR	Entergy Corporation	Bullish Reversal	48,134.7	0.95	11.4	1.63	0.36	14.2
AEP	American Electric Power Company, Inc.	Bullish Reversal	71,642.5	0.83	9.7	1.95	0.51	13.9
CEG	Constellation Energy Corporation	Consolidation	117,950.9	1.09	-2.2	0.35	1.93	12.2
NEE	NextEra Energy, Inc.	Bullish Reversal	198,163.8	0.94	12.0	1.75	0.74	11.6
CNP	CenterPoint Energy, Inc.	Bullish Reversal	28,197.5	0.90	8.5	1.45	0.37	11.4
XEL	Xcel Energy Inc.	Consolidation	49,423.1	0.80	5.7	1.90	0.26	10.8
ATO	Atmos Energy Corporation	Bullish Reversal	30,119.8	0.86	4.9	1.46	0.44	10.2
DUK	Duke Energy Corporation	Consolidation	100,263.9	0.76	4.5	2.26	0.29	10.2
EXC	Exelon Corporation	Consolidation	49,814.9	0.68	5.0	2.29	0.06	10.0
SO	Southern Company	Consolidation	107,372.0	0.84	4.9	2.09	0.36	9.9
SRE	Sempra	Consolidation	61,678.4	0.73	4.6	1.91	0.73	9.4
PEG	Public Service Enterprise Group Inc	Consolidation	42,912.3	0.78	3.5	2.05	0.54	9.3
FE	FirstEnergy Corp.	Bullish Reversal	29,266.5	0.74	7.7	2.44	0.36	9.3
VST	Vistra Corp.	Consolidation	59,416.4	0.77	-0.6	0.40	2.14	9.0
EVRG	Evergy, Inc.	Consolidation	19,067.3	0.77	6.9	2.22	0.64	8.8
PNW	Pinnacle West Capital Corp	Consolidation	11,943.9	0.83	8.4	2.49	0.34	8.8
CMS	CMS Energy Corporation	Consolidation	23,468.8	0.79	2.5	1.98	0.31	8.6
AEE	Ameren Corporation	Consolidation	30,804.7	0.83	5.3	1.80	0.42	8.4
DTE	DTE Energy Company	Consolidation	30,343.5	0.75	4.9	2.13	0.50	8.2
NI	NiSource Inc	Bullish Reversal	22,266.1	0.90	5.4	1.72	0.47	7.4
ED	Consolidated Edison, Inc.	Consolidation	40,104.6	0.72	8.1	2.13	-0.09	7.2
ES	Eversource Energy	Consolidation	28,132.2	0.61	10.6	2.77	1.02	7.1
LNT	Alliant Energy Corporation	Consolidation	18,323.9	0.83	3.2	2.00	0.49	6.9
WEC	WEC Energy Group Inc	Consolidation	37,572.8	0.82	2.9	2.19	0.34	6.1
D	Dominion Energy Inc	Consolidation	55,864.4	0.70	2.5	2.79	0.94	6.1
PPL	PPL Corporation	Consolidation	28,760.0	0.78	2.7	1.99	0.54	5.2
AWK	American Water Works Company, Inc.	Downtrend	26,200.9	0.87	-1.5	1.75	0.46	3.6

Every stock in the sector outperformed the S&P 500 in February

Metrics:

(Formulas are in the appendix at the end of the report)

Valuation Multiple Relative to Index

Premium (or discount) to benchmark valueation

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: Utilities Sector

February reports repeatedly showed Utilities behaving like the market's preferred **low-volatility ballast** when the tape turned defensive—especially on days dominated by AI-disruption anxiety, policy uncertainty around tariffs, and geopolitical risk. In the sector performance snapshots you pasted, Utilities were frequent leaders early/mid-month (e.g., **Feb 13: Utilities +2.69%**, **Feb 19: Utilities +1.13%**, **Feb 24: Utilities +1.09%**), and held up on sharp risk-off days (e.g., **Feb 23: Utilities +0.72%** while the S&P fell more than 1%). The consistent through-line was positioning: when Growth/Tech and Financial beta were under pressure, Utilities absorbed incremental inflows.

Rates and curve: the key macro transmission channel

Utilities' February performance tracked the *rate narrative* more than the growth narrative. Several sessions in the reports highlighted Treasury rallies and curve flattening during risk-off episodes, which typically compresses discount rates for Utilities and supports relative performance. Conversely, Utilities tended to lag on sessions when yields backed up and cyclicals/tech led (e.g., **Feb 18: Utilities -1.70%** on a day of broad risk-on leadership, stronger dollar, and a notable move higher in oil). The bigger point: February reinforced Utilities as a **rates-sensitive equity proxy**, with relative performance closely tied to real-rate direction and volatility regime.

Policy: tariffs mattered indirectly; power demand and permitting mattered directly

Tariff headlines in February were a persistent macro overlay—SCOTUS striking down IEEPA tariffs followed by a pivot to alternative tariff authorities kept policy uncertainty elevated. For Utilities, tariffs were less about direct revenue impact and more about **capex and equipment costs** (grid hardware, transformers, conductors) and **project timing**. In parallel, February reports highlighted rising attention on **power procurement and permitting constraints** tied to AI/data-center buildouts. The most Utilities-relevant policy signal in the tape was that large tech firms and AI developers were actively engaging with the White House and utilities/energy ecosystem on **power costs and supply buildout**, reinforcing the idea that electricity availability is becoming a binding constraint for certain pockets of US growth.

AI/data-center load: structural tailwind with near-term execution risk

February headlines framed AI as both (1) a disruption risk to white-collar employment and software moats, and (2) a **physical infrastructure buildout** that benefits "heavy asset" industries. Utilities sit directly in the second bucket. Reports cited continued acceleration in data-center energy demand and emphasized that power availability, interconnection queues, and permitting are increasingly the bottlenecks. This is bullish for Utilities' long-run regulated asset base growth in the right jurisdictions, but February's tape also suggested investors were mindful of **execution risk**—capex inflation, supply-chain constraints, and potential political scrutiny if power costs rise.

Geopolitics and commodities: supportive for defensives, but oil spikes can be mixed

Geopolitical tension—especially around Iran—was a recurring February feature and helped keep defensive allocations "sticky." However, when crude spiked sharply (e.g., **Feb 18: WTI +4.86%**), Utilities often underperformed as the market rotated toward Energy and inflation hedges, and rate expectations leaned firmer. So while geopolitics supports Utilities via risk-off flow, it can simultaneously hurt via **higher inflation risk / higher rates** if energy prices surge.

March 2026 setup: what to watch

Utilities' March setup hinges on whether February's regime persists: elevated policy uncertainty (tariffs implementation path), lingering AI-disruption anxiety, and geopolitical headline risk—all of which keep demand for low-volatility exposure intact. The sector's main risks are (1) a sustained backup in yields (especially real rates), (2) renewed inflation impulses via energy, and (3) capex cost inflation tied to grid equipment and buildout timelines. The upside catalysts are continued evidence that AI/data-center load growth is translating into **faster regulated rate-base growth** and incremental transmission investment, alongside any macro data that keeps the Fed on hold and supports duration-sensitive defensives.

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.