

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

Monthly Insights: April Outlook
Consumer Discretionary Sector

Patrick Torbert, CMT
Editor & Chief Strategist

Sector Price Action & Performance Review: Consumer Discretionary Sector



Consumer Discretionary was one of the worst-performing sectors in a broadly difficult March for the S&P 500, with the Consumer Discretionary Select Sector SPDR (XLY) posting a YTD decline of approximately 12–14% through late March — significantly underperforming the SPY's approximately 5–6% YTD loss and ranking among the two or three weakest sector ETFs alongside Financials. The gap between XLY and SPY widened materially as the quarter progressed, reflecting the sector's acute sensitivity to the specific macro forces defining Q1 2026: tariff escalation, deteriorating consumer confidence, and a repricing of growth expectations that hit the sector's two largest and most idiosyncratic constituents — Amazon and Tesla — with particular severity.

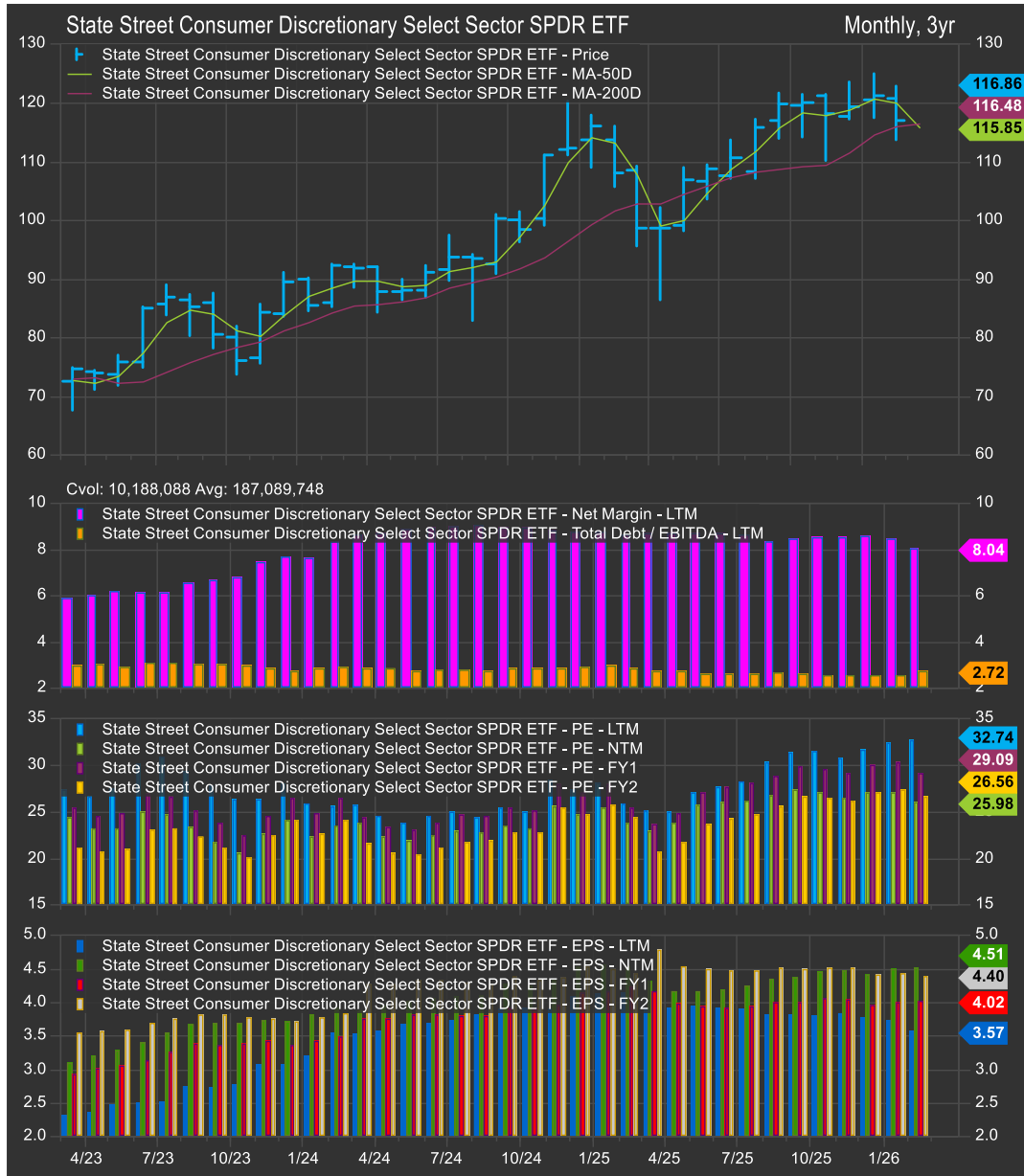
Three dynamics drove the underperformance. Tariff exposure concentration — the sector's retail, apparel, and consumer electronics names have some of the most China-dependent supply chains in the S&P 500, making them front-line casualties of trade escalation. Consumer confidence deterioration — University of Michigan and Conference Board sentiment data deteriorated sharply through Q1, signaling spending caution that disproportionately impacts discretionary categories. Tesla-specific weakness — the sector's second-largest constituent experienced a severe drawdown driven by a combination of brand perception concerns, intensifying EV competition, and Elon Musk's political visibility reducing consumer affinity in key markets.

XLY's technical picture through March was among the most damaged of any major sector ETF — worse than XLK on a relative basis and broadly consistent with a sector in a confirmed downtrend rather than a consolidating correction. The ETF broke decisively below its 50-day moving average in mid-February and spent the entirety of March not only below that level but actively testing its 200-day moving average — a structural support level that, by late March, was showing signs of giving way rather than holding.

Consumer Discretionary enters April 2026 as the S&P 500's most economically exposed sector in the most economically uncertain macro environment in several years — a combination that explains the severity of Q1's underperformance versus SPY and the caution warranted for new exposure at current levels. The sector is not without opportunity: off-price retailers (TJX, Ross) are structurally advantaged in a consumer trade-down environment; experiential names (Booking Holdings, Marriott) benefit from travel demand resilience; and Amazon's non-retail revenue streams provide earnings durability that the sector's headline performance does not fully reflect. But the broad XLY thesis requires either a tariff resolution or a consumer spending resilience that the confidence data does not currently support. Deeply oversold technicals create the conditions for tradeable bounces, but the fundamental case for sustained outperformance versus SPY is not yet established. For patient capital willing to look through near-term earnings pressure, the sector's high beta to any eventual macro improvement makes it among the most leveraged recovery trades in the index — but that recovery requires catalysts that are not yet in sight for April.

We start April out of the Consumer Discretionary Sector with an **underweight allocation of -9.84% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

Fundamentals: Consumer Discretionary Sector

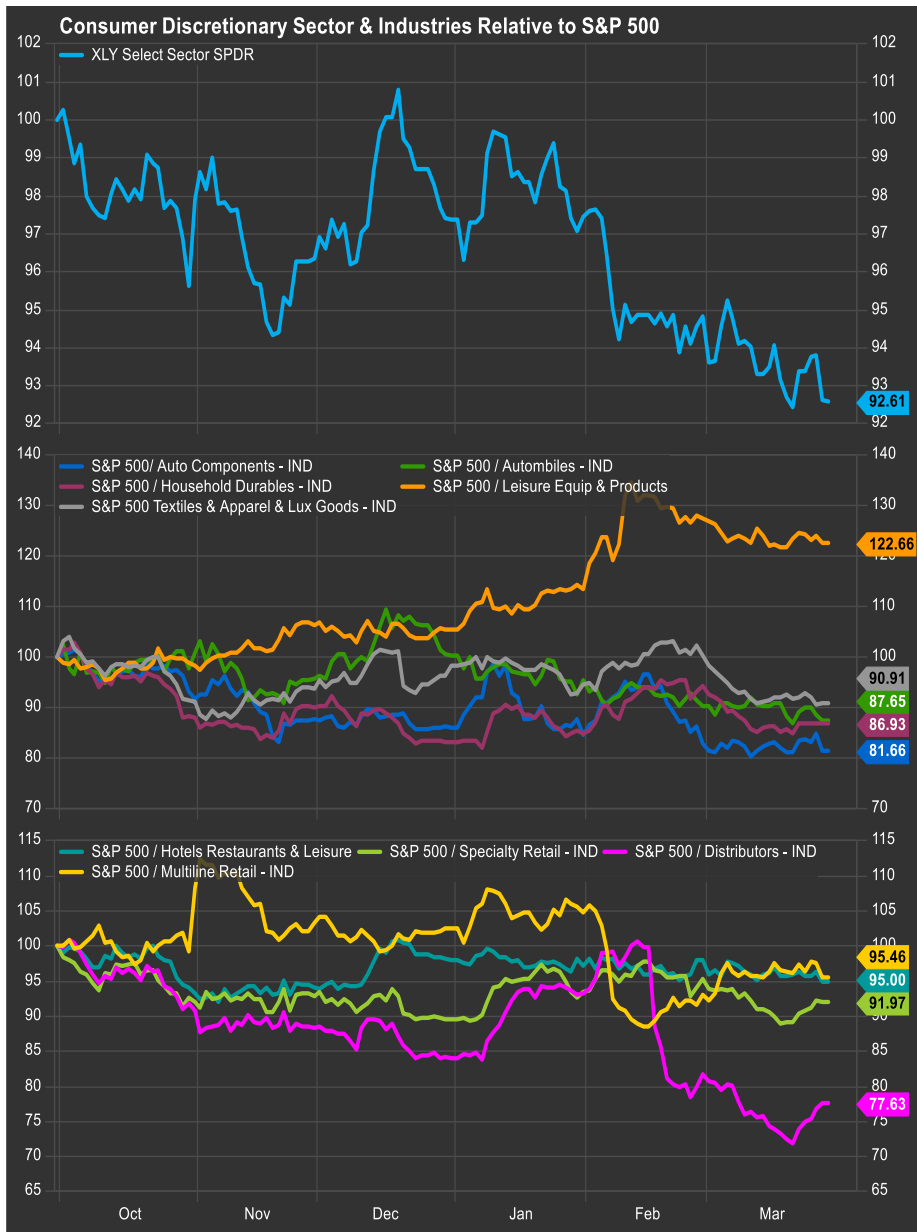


The chart (left) shows S&P 500 Consumer Discretionary Sector Margins, Debt/EBITDA, Valuation and Earnings

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): With Leisure equipment stocks getting faded in march, it's getting harder to find industries in bullish reversal.

Consumer Discretionary Sector Internals (chart, right): Market internal trends saw the **near-term series** close to zero at the end of March. We expect a decline phase to continue in the near-term.

Top 10/Bottom 10 Stock Level Performers: Consumer Discretionary Sector

Symbol	Name	GICS Sector 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
EXPE	Expedia Group, Inc.	Consumer Discretionary	Consolidation	26,422.3	0.57	-1.8	0.42	1.71	12.2
BBY	Best Buy Co., Inc.	Consumer Discretionary	Consolidation	13,169.9	0.49	1.9	4.05	1.68	10.5
ROST	Ross Stores, Inc.	Consumer Discretionary	Bullish Reversal	68,470.1	1.44	24.3	0.56	0.98	10.5
MGM	MGM Resorts International	Consumer Discretionary	Consolidation	9,291.7	0.90	5.0	0.01	1.73	5.8
EBAY	eBay Inc.	Consumer Discretionary	Consolidation	39,415.0	0.72	5.6	0.90	0.89	4.5
BKNG	Booking Holdings Inc.	Consumer Discretionary	Retracement	128,661.6	0.74	-12.1	0.67	1.10	3.4
ORLY	O'Reilly Automotive, Inc.	Consumer Discretionary	Consolidation	75,556.1	1.39	1.3	0.00	0.45	3.3
TJX	TJX Companies Inc	Consumer Discretionary	Bullish Reversal	172,255.7	1.52	6.9	0.77	0.62	3.3
AMZN	Amazon.com, Inc.	Consumer Discretionary	Consolidation	2,139,899.1	1.25	-3.9	0.00	1.32	2.2
HLT	Hilton Worldwide Holdings Inc.	Consumer Discretionary	Bullish Reversal	67,420.9	1.60	7.7	0.14	1.11	1.6

Some bounce in retail and travel and leisure stocks while AMZN was also able to make some headway vs. the S&P 500 in March

Homebuilders, other parts of retail and autos were a drag.

TSLA wasn't an extreme underperformer, but it lagged the S&P 500 in March as investors took a bearish view of rising rates.

Symbol	Name	GICS Sector 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
ULTA	Ulta Beauty Inc.	Consumer Discretionary	Consolidation	22,320.6	0.90	-10.3	0.00	1.32	-18.2
NCLH	Norwegian Cruise Line Holdings Ltd.	Consumer Discretionary	Consolidation	8,423.0	0.39	-14.7	0.00	2.34	-18.1
CCL	Carnival Corporation	Consumer Discretionary	Consolidation	29,971.4	0.52	-14.2	1.61	3.33	-16.0
LULU	lululemon athletica inc.	Consumer Discretionary	Downtrend	16,113.9	0.60	-19.1	0.00	0.76	-13.9
LEN	Lennar Corporation Class A	Consumer Discretionary	Downtrend	22,221.8	0.69	-11.8	1.44	1.79	-13.8
DECK	Deckers Outdoor Corporation	Consumer Discretionary	Consolidation	13,350.4	0.66	-5.7	0.00	1.39	-12.5
F	Ford Motor Company	Consumer Discretionary	Consolidation	44,554.7	0.36	-6.6	3.71	1.31	-12.0
CMG	Chipotle Mexican Grill, Inc.	Consumer Discretionary	Downtrend	40,192.8	1.32	-11.4	0.00	0.71	-9.8
DASH	DoorDash, Inc. Class A	Consumer Discretionary	Retracement	60,101.1	2.42	-25.9	0.00	2.03	-9.6
NKE	NIKE, Inc. Class B	Consumer Discretionary	Downtrend	61,207.1	1.24	-11.1	1.93	1.10	-9.5

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

Equity Market Stress — Leading the Downside Consumer Discretionary is historically the equity market's highest-beta sector to economic growth expectations — when growth is being revised lower, discretionary names reprice faster and further than almost any other sector. In the current environment, where the SPY is under tariff-driven growth pressure, XLY's underperformance versus SPY is not a surprise — it is the expected mechanical outcome of the growth downgrade dynamic. The more important question is whether the current gap between XLY and SPY appropriately discounts the earnings impact of the macro slowdown or whether further estimate cuts make the sector's valuation appear cheaper than it actually is on forward numbers that haven't been revised enough yet.

Tariffs — The Most Direct and Acute Sector Headwind No sector in the S&P 500 has more concentrated exposure to the tariff escalation dynamic than Consumer Discretionary. The transmission channels are multiple and reinforcing:

Retail apparel and footwear — companies like Nike, PVH, and Tapestry source the overwhelming majority of their finished goods from China, Vietnam, Bangladesh, and Cambodia — all geographies facing elevated tariff exposure. Cost increases on a \$30 imported garment are far more visible and harder to absorb than a cost increase on a pharmaceutical ingredient

Consumer electronics and accessories — Apple's tariff exposure in technology is mirrored in consumer discretionary by accessories, gaming hardware, and smart home device companies with Asian manufacturing concentration

Home improvement and furniture — home goods retailers source heavily from China and Southeast Asia; tariff-driven cost increases on furniture, appliances, and home décor are among the most consumer-visible categories

Automotive — tariffs on imported vehicles and auto parts directly affect the pricing and margin structure of auto manufacturers and dealers with non-domestic supply chains

The pricing power equation for discretionary companies is fundamentally different from staples. Consumers will accept a higher price for toothpaste with minimal volume sacrifice; they will defer a furniture purchase, substitute a less expensive apparel brand, or delay a vehicle trade-in if prices rise. This asymmetry between pricing power in staples versus discretionary is the core reason XLY has underperformed XLP by approximately 15–18

percentage points YTD.

Consumer Confidence and Spending Trajectory Consumer confidence deteriorated markedly through Q1 2026, with both the University of Michigan Consumer Sentiment Index and the Conference Board Consumer Confidence Index declining to levels consistent with heightened spending caution. The sentiment deterioration is being driven by a combination of tariff-related price increase expectations, equity portfolio losses, and media coverage of economic uncertainty — a self-reinforcing cycle where confidence weakness itself suppresses the spending that could reverse it.

The practical manifestation in discretionary spending data has been a bifurcated picture: **essential-adjacent discretionary** categories (value retail, home maintenance, basic clothing) have held up relatively well, while **premium and big-ticket discretionary** (luxury goods, high-end apparel, major appliances, new vehicle purchases) have shown more meaningful softness. This bifurcation maps directly onto the sector's constituent performance — value-oriented names and off-price retailers have outperformed within XLY, while premium brand and big-ticket names have borne the brunt of the decline.

The Amazon Effect Amazon constitutes approximately **22–25% of XLY's total weight** — the single largest constituent by a wide margin — making it both the sector's most important driver and a potential source of index-level distortion. Amazon's business model spans consumer discretionary (e-commerce retail), technology (AWS), advertising (Communication Services adjacency), and logistics, making its categorization as a pure discretionary name somewhat misleading. However, its e-commerce revenue — which is discretionary spending at scale — faces the tariff headwind acutely: third-party marketplace sellers sourcing from China face cost increases that either compress their margins or raise consumer prices, reducing transaction volumes and marketplace revenue for Amazon.

AWS performance and advertising revenue provide an important earnings buffer that pure discretionary names lack, which has made Amazon a relative outperformer within XLY even as its absolute performance has been negative. The sector's headline return would be materially worse without AWS and advertising revenue partially offsetting the e-commerce headwind.

Economic & Policy Drivers: Consumer Discretionary Sector (Cont'd)

Sector-Specific Drivers

Tesla — Idiosyncratic and Consequential Tesla's approximately **14–16% weight in XLY** makes it the sector's second-largest constituent and its most idiosyncratic driver. Tesla's 2026 weakness extends beyond the macro headwinds facing the sector broadly — it reflects a specific set of company-level challenges: intensifying competition from Chinese EV manufacturers (BYD in particular), margin pressure from price cuts needed to maintain market share, and a brand perception problem stemming from CEO Elon Musk's political visibility that has measurably reduced consumer consideration scores in key markets including Europe and coastal United States. These are structural concerns, not purely cyclical — making Tesla's underperformance a headwind to XLY that persists even if the macro environment improves.

E-Commerce and Retail Beyond Amazon, the broader e-commerce and retail landscape within XLY is navigating tariff cost pressures with varying degrees of supply chain flexibility. Off-price retailers — TJX Companies, Ross Stores — are structurally advantaged in a tariff environment because their opportunistic buying model allows them to source merchandise from distressed inventory rather than fixed supply chain commitments. Traditional specialty retailers and department stores with long-lead-time Asian sourcing are most exposed. Home improvement retailers — Home Depot, Lowe's — face tariff costs on Chinese-sourced tools and building materials but benefit from housing maintenance tailwinds as high mortgage rates suppress new construction and divert spending toward existing home improvement.

Restaurants and Leisure The restaurant and leisure subsector — McDonald's, Starbucks, Booking Holdings, Airbnb, Marriott — presents a more nuanced picture than goods-oriented discretionary. Restaurant traffic data has been resilient at the value end (McDonald's, Yum! Brands) but softer at casual dining and premium segments as consumers trade down. Travel and leisure demand has held up better than consumer goods spending — a phenomenon consistent with prior slowdown cycles where consumers protect experiential spending longer than goods purchases. Booking Holdings and Airbnb have shown relative resilience within XLY on the strength of continued international travel demand.

Luxury and Premium Brands Luxury and premium brand names within XLY have been among the month's most significant underperformers, reflecting both the consumer confidence deterioration and the specific exposure to Chinese consumer spending — a critical driver of global luxury demand that has been under pressure from China's own economic challenges independent of U.S. tariff dynamics. Premium athletic and lifestyle brands face the dual headwind of consumer trade-down risk and tariff-driven cost pressure on Asian-manufactured goods.

Automotive Auto manufacturers and dealers within the sector face a particularly complex tariff environment. Vehicle tariffs affect not just imported finished cars but also the components used in domestic assembly — making even "American-made" vehicles partially exposed to tariff cost increases through their supply chains. The practical consumer impact — higher vehicle prices at a time of already stretched auto loan affordability — is a meaningful demand headwind for new vehicle sales and the dealer network dependent on them.

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.