

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

Monthly Insights: April Outlook

Consumer Staples Sector

Patrick Torbert, CMT

Editor & Chief Strategist

Sector Price Action & Performance Review: Consumer Staples Sector



Consumer Staples was one of the clearest beneficiaries of the defensive rotation that defined Q1 2026, delivering meaningful outperformance relative to the SPY's approximately 5–6% YTD decline. The sector's outperformance followed a well-defined rotation sequence. Flow data shows XLP surging from the 71st percentile to the 97th — and briefly touching the 99th percentile — in institutional flow rankings in January and early February as capital exited technology and growth names, with extension percentiles confirming the pace of accumulation was extraordinary by historical standards. By March, that momentum had begun to moderate as the sector approached overbought technical conditions and valuations moved above long-term averages. The late-March dynamic saw some profit-taking and rotation from staples into energy as the Iran conflict escalated — but the sector retained the bulk of its defensive gains as broader equity stress persisted.

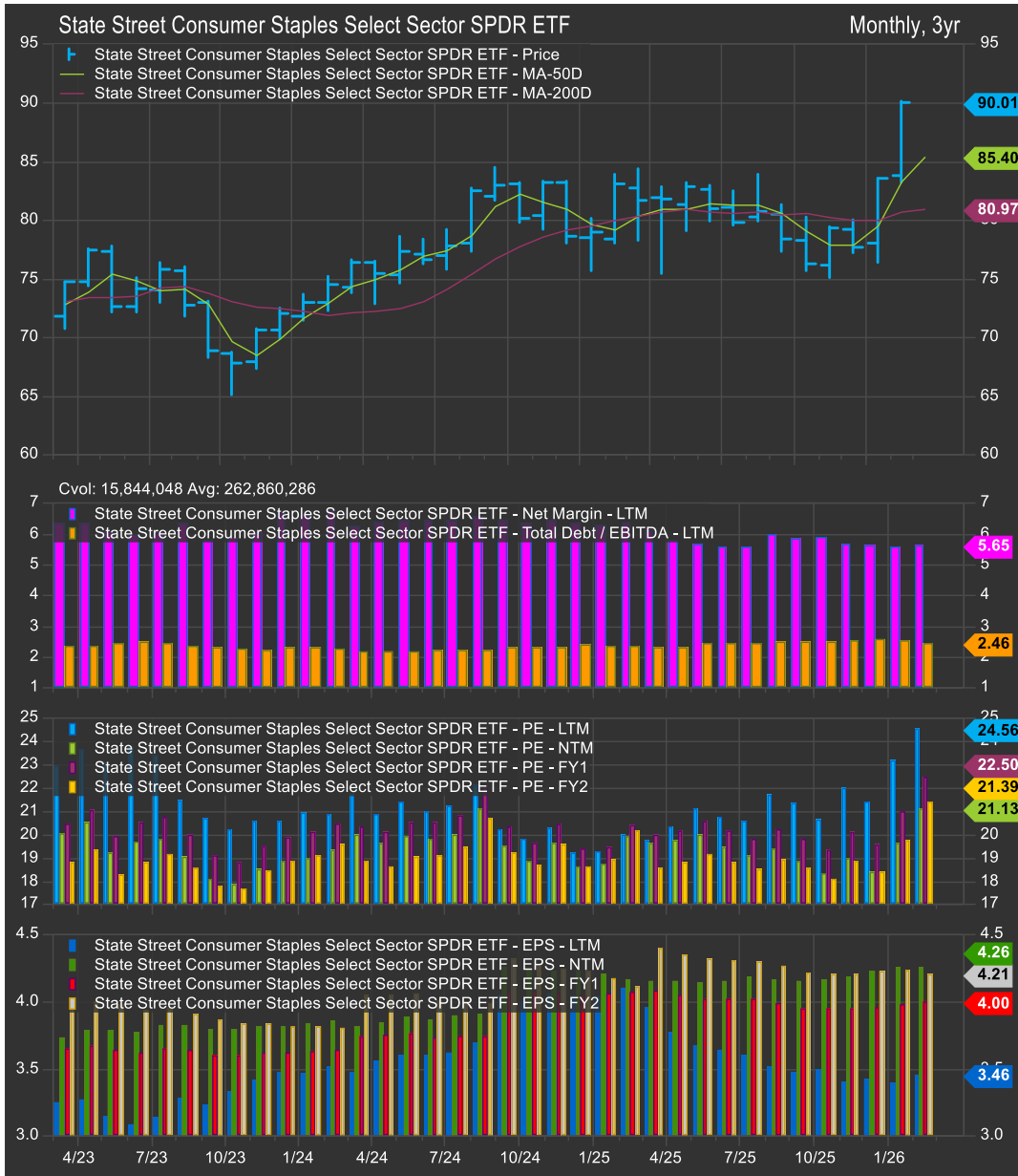
Three forces underpinned the outperformance. Pure defensive rotation — staples' non-cyclical demand profile (consumers continue buying food, beverages, and household products regardless of economic conditions) made the sector the first destination for capital fleeing growth and cyclical equities. Dividend yield appeal — with the equity market under pressure and the Fed on hold, XLP's constituent dividend yields of 2.5–4% offered income stability that Treasuries at current levels cannot decisively beat. Earnings resilience perception — staples companies' ability to pass through cost increases via price increases (demonstrated through the 2021–2023 inflation cycle) gave investors confidence that earnings estimates were more durable than those in economically sensitive sectors.

XLP's technical picture through March was the most extended of any major defensive sector ETF — and therein lies both its strength and its principal near-term risk. Having surged from the 71st to the 99th percentile in institutional flow rankings through January and February, the ETF entered March trading well above both its 50-day and 200-day moving averages, with the gap between price and both averages unusually wide. This is technically a bullish structure — price leading both averages higher is the definition of an uptrend — but the degree of extension above the 50-day introduced mean-reversion risk that materialized modestly in the second half of March as profit-taking emerged.

Consumer Staples enters April 2026 as the equity market's most crowded defensive trade — a characterization that is simultaneously a testament to the sector's genuine defensive qualities and a caution about near-term risk/reward. The haven bid is real, the earnings visibility is superior to almost any other sector, and the pricing power toolkit gives companies meaningful protection against tariff-driven cost increases. But at 21–23x forward earnings with institutional positioning near peak defensive levels, the sector is fully priced for its defensive role, but we know that under stress, markets can go past rational pricing.

We start April with an overweight allocation of +6.80% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

Fundamentals: Consumer Staples Sector

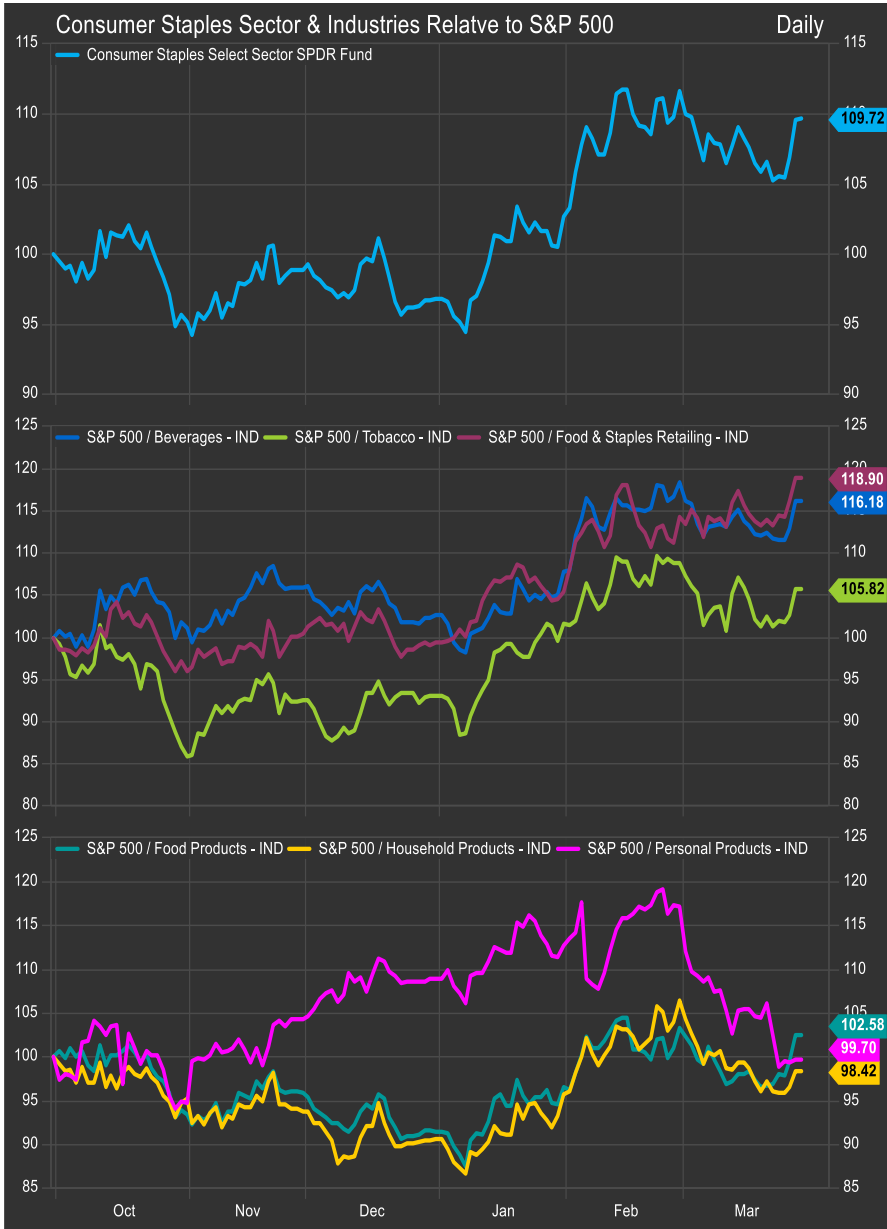


The chart (left) shows S&P 500 Consumer Staples Sector Margins, Debt/EBITDA, Valuation and Earnings

Margins remain at the lowest levels in our look-back period (chart, panel 2)

Valuation (chart, panel 3) multiples have elevated in the most recent quarter, but that may be a combination of some earnings misses and a rotation into lower vol. sectors.

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



Consumer Staples Industries (chart, left): Near-term outperformance 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	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
KR	Kroger Co.	Consumer Staples	Bullish Reversal	46,337.2	0.71	19.8	1.27	0.19	14.6
BG	Bunge Global SA	Consumer Staples	Bullish Reversal	24,908.5	0.76	42.8	1.46	0.55	14.0
TGT	Target Corporation	Consumer Staples	Bullish Reversal	54,270.2	0.76	27.6	2.37	1.26	12.6
ADM	Archer-Daniels-Midland Company	Consumer Staples	Bullish Reversal	34,757.2	0.88	24.9	1.89	0.81	11.9
TSN	Tyson Foods, Inc. Class A	Consumer Staples	Bullish Reversal	18,029.9	0.79	15.3	2.13	0.29	5.7
MO	Altria Group, Inc.	Consumer Staples	Bullish Reversal	111,147.8	0.60	15.7	4.23	0.15	5.2
COST	Costco Wholesale Corporation	Consumer Staples	Bullish Reversal	436,492.0	2.32	14.2	0.36	0.81	4.6
WMT	Walmart Inc.	Consumer Staples	Uptrend	979,728.5	2.11	14.2	0.51	0.52	3.6
STZ	Constellation Brands, Inc. Class A	Consumer Staples	Consolidation	26,250.4	0.62	13.0	1.76	0.24	3.2
BFB	Brown-Forman Corporation Class B	Consumer Staples	Consolidation	12,472.2	0.82	8.2	2.22	0.34	2.4

Food products stocks (BG, ADM), Groceries and Retailing and Tobacco topped the sector.

Personal products, dollar stores and household products names were on the laggard list in March

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
EL	Estee Lauder Companies Inc. Class A	Consumer Staples	Downtrend	16,620.6	1.22	-28.1	1.40	1.52	-31.3
MKC	McCormick & Company, Incorporated	Consumer Staples	Downtrend	14,244.5	0.85	-16.4	2.33	0.43	-18.0
DG	Dollar General Corporation	Consumer Staples	Bullish Reversal	25,801.7	0.81	-5.0	1.29	0.22	-17.7
CLX	Clorox Company	Consumer Staples	Consolidation	12,337.8	0.79	-0.3	3.19	0.89	-12.4
GIS	General Mills, Inc.	Consumer Staples	Downtrend	19,452.7	0.56	-14.7	4.33	0.04	-12.1
CAG	Conagra Brands, Inc.	Consumer Staples	Consolidation	7,472.1	0.45	-5.3	5.77	-0.12	-11.5
CPB	Campbell's Company	Consumer Staples	Downtrend	6,556.2	0.50	-14.6	4.59	0.03	-11.1
SJM	J.M. Smucker Company	Consumer Staples	Consolidation	10,157.2	0.49	-2.1	2.95	0.29	-10.5
MNST	Monster Beverage Corporation	Consumer Staples	Bullish Reversal	70,269.2	1.57	-0.3	0.00	0.33	-8.5
DLTR	Dollar Tree, Inc.	Consumer Staples	Bullish Reversal	21,110.9	0.80	-2.0	0.00	1.01	-8.1

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

Equity Market Stress — The Cleanest Haven Bid in the Sector Universe Consumer Staples attracts a cleaner and more reliable haven bid than almost any other equity sector in a stressed market environment. Unlike Healthcare (policy risk overlay), Financials (credit cycle sensitivity), or even Utilities (AI narrative dependency), staples companies sell products that consumers purchase with near-complete inelasticity — toothpaste, breakfast cereal, laundry detergent, beer. Revenue visibility is higher and earnings estimate durability is greater than virtually any other sector. In the current environment — where SPY is under tariff-driven pressure and growth expectations are being revised lower — staples' predictable cash flow profile is precisely what institutional asset allocators seek when managing portfolio volatility. The haven bid that drove XLP to the 99th flow percentile in February reflects this mechanical dynamic rather than any sector-specific positive catalyst.

Tariffs — Cost Pressure with Meaningful Pricing Power Offset Tariffs represent the most direct macro headwind for Consumer Staples in 2026, but the sector's relationship with cost inflation is more nuanced than a simple negative read. Large staples companies source ingredients, packaging materials, and finished goods from tariff-exposed geographies — Latin America for food inputs, Asia for packaging and consumer electronics accessories, and globally for commodity inputs including grains, oils, and chemicals. Tariff-driven cost increases will flow through to cost of goods sold over the next two to four quarters as existing contracts roll over.

The critical offset is **pricing power** — the sector's most important competitive characteristic. The 2021–2023 inflation cycle was a live demonstration of staples companies' ability to raise consumer prices to protect margins, with companies like Procter & Gamble, Unilever, and Nestlé successfully implementing multiple rounds of price increases with limited volume sacrifice. The current tariff environment is a different type of cost shock — more concentrated in specific input categories and potentially more reversible than the broad commodity inflation of 2021–2023 — but the pricing power toolkit is the same. The market is giving the sector credit for this capability, which is part of why valuations have moved above historical averages during the defensive rotation.

Consumer Spending and Volume Risk The more nuanced staples risk is not margin compression but **volume pressure at elevated price points**. After two-plus years of price increases, many staples categories have seen consumers trade down to private label alternatives or reduce purchase frequency — a dynamic visible in Nielsen and IRI scanner data throughout 2024–2025. The question for 2026 is whether tariff-driven price increases layer additional volume pressure onto categories already showing consumer resistance. Private label market share gains in supermarkets — already at multi-decade highs in several categories — could accelerate if tariff costs push branded staples prices to levels that break consumer loyalty more permanently. This is a slow-moving risk rather than an acute earnings shock, but it is the structural concern that limits the sector's long-term re-rating potential even as its near-term defensive characteristics attract capital.

Interest Rates and Dividend Valuation Consumer Staples companies are moderate-duration assets — their stable, predictable cash flows are valued similarly to bonds, making them sensitive to the discount rate in the same way as Utilities, though less acutely. The Fed's hold at **3.50–3.75%** preserves the relative attractiveness of staples dividend yields versus short-duration Treasuries. A scenario where the Fed is forced to cut rates aggressively — even in a growth slowdown — would be a meaningful tailwind for staples multiples, as falling discount rates would expand the present value of their stable earnings streams. Conversely, any return of yield-curve pressure toward 5% on the 10-year would compress staples multiples as the fixed-income alternative becomes more competitive.

Currency Dynamics Large multinational staples companies — Procter & Gamble, Colgate-Palmolive, Kimberly-Clark — generate a substantial proportion of revenue outside the United States, making currency dynamics a meaningful earnings variable. The USD has been relatively strong in the Iran-driven risk-off environment of Q1 2026, which creates a translation headwind for overseas earnings when reported in dollars. Any weakening of the dollar in a tariff de-

escalation scenario would be a modest positive for the sector's multinational names, while continued dollar strength would represent a persistent but manageable earnings headwind.

Sector-Specific Drivers

Food and Beverage — Pricing Cycle Maturation The major food and beverage companies — General Mills, Kraft Heinz, Campbell's, Coca-Cola, PepsiCo — are navigating the later stages of the pricing cycle that began in 2021. Most have successfully rebuilt margins through price increases, and the current focus is on volume recovery as consumers absorb elevated price points. The GLP-1 obesity drug phenomenon introduces a long-term structural question for food companies — reduced caloric intake at scale could affect category volumes for snacks, sugary beverages, and processed foods over a multi-year horizon. This is not yet a near-term earnings impact but is increasingly a topic in investor conversations about long-term category growth assumptions.

Household and Personal Care Procter & Gamble, Colgate-Palmolive, Kimberly-Clark, and Church & Dwight represent the most classically defensive component of the staples sector — their products are consumed daily, with minimal cyclical variation, and their brand equity supports pricing power through virtually any economic environment. These names are the core of institutional defensive allocations and were the primary recipients of the January-February accumulation flow. Tariff cost exposure is real but manageable given the pricing power and operational hedging capabilities available to companies of this scale.

Tobacco Altria and Philip Morris International occupy a unique position within XLP — high-yield, deeply out-of-favor on ESG grounds, but generating exceptional free cash flow and dividend coverage even in a stressed environment. Their defensive income characteristics make them a marginal beneficiary of the current market stress, though ESG-driven exclusions from many institutional portfolios limit the breadth of their haven bid. Philip Morris's IQOS heated tobacco platform and nicotine pouch products represent the growth dimension of an otherwise mature category.

Retail Staples Channels Walmart — one of XLP's largest holdings — sits at the intersection of consumer staples and consumer discretionary, functioning as both a defensive income play and a consumer spending barometer. Its scale and private label capabilities give it a structural advantage in a tariff-driven cost environment — it can absorb, negotiate, or substitute around cost increases more effectively than smaller competitors. Costco similarly benefits from its membership-driven model and bulk purchasing leverage. Both names have been key components of the defensive rotation and have outperformed the broader XLP index on a YTD basis.

Alcohol and Beverage Brown-Forman, Constellation Brands, and Molson Coors are navigating a more complex demand environment than their household products peers. Alcohol consumption trends have been modestly softer in the 18–35 demographic — a structural shift attributed variously to health consciousness, GLP-1 adoption, and cannabis substitution. This category-level headwind is independent of the macro environment and introduces a secular growth concern that pure household products names do not face.

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.