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Monthly Insights: May Outlook

Materials Sector

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Sector Price Action & Performance Review: Materials

The Materials Select Sector SPDR Fund (XLB) had a constructive but uneven April. XLB closed March 31 at **$49.97** and was trading near **$51.09** on April 29, leaving the fund up roughly **2.2% month-to-date on price**. The ETF pushed above $52 during the middle of the month, but failed to break decisively above its earlier 2026 highs, leaving the technical setup constructive but not yet a clean momentum breakout.

The broader technical backdrop remains better than many defensive sectors. Commodities sectors continue to carry positive momentum scores in our work and are still carrying positive medium- and long-term trend structure support. That makes May a confirmation month. A move back above the $52–54 area would suggest Materials investors are still willing to pay for inflation sensitivity, copper leverage, gold strength, infrastructure exposure, and tariff-supported domestic metals. A move back below $50 would imply that higher rates, energy-cost pressure, and commodity-demand uncertainty are overwhelming the sector's positive earnings revisions.

XLB is also concentrated by industry and by stock. State Street data show the fund was **51.22% Chemicals**, **21.85% Metals & Mining**, **13.96% Construction Materials**, and **12.97% Containers & Packaging** as of April 28. The top holdings were Linde, Newmont, Nucor, Freeport-McMoRan, CRH, Air Products & Chemicals, Vulcan Materials, Sherwin-Williams, Martin Marietta Materials, and Corteva.

The May outlook for Materials is **market weight to modest overweight**, with a preference for **construction materials, metals and mining, industrial gases, and select tariff-supported steel exposure**. The sector has better earnings momentum than defensive sectors, and it offers useful exposure to inflation, infrastructure, AI-related construction, copper, gold, and reshoring. However, XLB's April advance was not a decisive breakout, and several of the sector's supports are policy- or commodity-driven rather than volume-driven.

The most attractive subsectors are **Construction Materials** and **Metals & Mining**. Aggregates and cement benefit from infrastructure, data centers, and energy projects, while copper and gold miners benefit from structural scarcity, electrification, AI power demand, and geopolitical risk. **Industrial gases** remain the highest-quality defensive growth sleeve inside Materials.

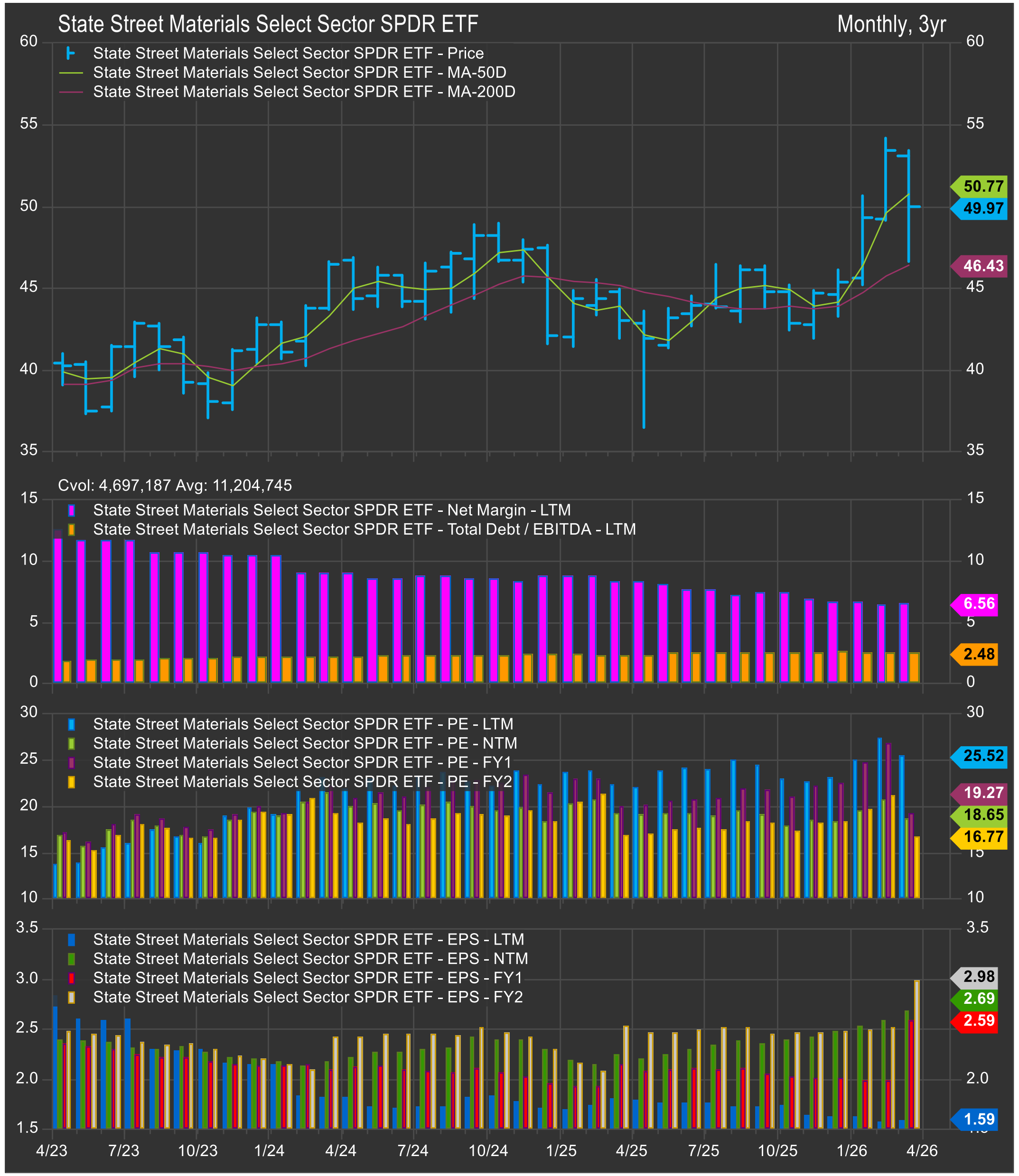
The more cautious areas are **commodity chemicals, housing-linked coatings, and packaging**. These groups can work if demand remains stable, but they are more exposed to energy inflation, freight costs, tariffs, weaker consumer volumes, and housing-rate sensitivity.

A bullish May scenario would include copper and gold holding firm, infrastructure and data-center activity remaining strong, tariffs supporting domestic steel prices, and the Fed avoiding a renewed rate shock. A bearish scenario would include faster commodity-price reversal, higher real yields, China demand disappointment, energy-cost-driven margin pressure, or signs that AI infrastructure spending is being questioned.

Overall, Materials deserve more attention than Staples or Healthcare because the sector has positive earnings revisions and real macro catalysts. But the sector is still cyclical. The right stance is **selective overweight within Materials**, not a blanket chase of the entire XLB basket.

We start May with an overweight allocation of +3.90% in the Materials Sector in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

Fundamentals: Materials Sector



Materials fundamentals improved in April, but the quality of that improvement varied sharply by industry. The strongest parts of the sector were tied to **metals, mining, steel, gold, copper, construction aggregates, and infrastructure demand**. The weaker parts were more exposed to **chemicals, packaging volumes, housing sensitivity, raw-material inflation, and energy costs**.

Consensus earnings momentum was better than most defensive sectors. FactSet's Q1 2026 earnings preview said Materials was one of the sectors expected to lead year-over-year earnings growth, alongside Information Technology and Financials. A separate Q1 earnings preview cited Materials expected earnings growth of **24.2%**, second only to Information Technology, highlighting the sector's earnings-revision advantage versus Healthcare and Consumer Staples.

Company-level results reinforced the dispersion. Newmont reported record quarterly earnings and free cash flow, supported by the surge in gold prices, and increased its share-repurchase authorization. Freeport-McMoRan beat first-quarter profit expectations on higher copper prices, but the stock sold off after the company delayed the recovery of its Grasberg mine and reduced production expectations. Nucor guided to higher second-quarter earnings, with expected improvement across steel mills, steel products, and raw materials, helped by higher realized selling prices and stable volumes.

Construction materials were also a relative bright spot. Vulcan Materials beat revenue expectations as demand for crushed stone, sand, and gravel benefited from public infrastructure, data centers, and energy projects. Coatings were more mixed: Sherwin-Williams beat quarterly earnings expectations and grew revenue, but management commentary pointed to weak do-it-yourself demand, higher energy costs, and targeted price hikes to offset inflation.

The sector's fundamental advantage is that several Materials industries now have visible pricing support. The risk is that pricing is being driven partly by tariffs, geopolitics, energy disruption, and constrained supply rather than broad-based volume growth. That makes the sector attractive, but cyclical and policy-sensitive.

Industry/Sub-Industry Performance and Breadth: Materials

Industry / Group	April Trend	Key April Drivers	Fundamental Read	Macro / Policy Sensitivity
Chemicals	**Mixed; large weight but not uniform leadership**	Industrial gases remained high quality, while specialty chemicals, crop chemicals, coatings, and commodity chemicals faced mixed volume trends, energy-cost pressure, and uneven end-market demand.	The group is the largest part of XLB, but earnings quality varies widely. Industrial gases are steadier; commodity chemicals are more cyclical; crop chemicals remain tied to farm economics.	Sensitive to natural gas, oil, electricity, freight, foreign exchange, China demand, agriculture prices, and Environmental Protection Agency (EPA) chemical regulation.
Metals & Mining	**Strongest thematic driver, but volatile**	Gold strength supported Newmont, while copper strength supported Freeport-McMoRan. Steel benefited from tariff support and higher realized prices.	Best earnings-upside pocket if copper, gold, and steel prices remain firm. However, mine disruptions and commodity volatility can dominate single-stock results.	Sensitive to copper, gold, steel prices, China demand, tariffs, critical-minerals policy, mine supply, energy costs, and the U.S. dollar.
Construction Materials	**Relative winner**	Aggregates, cement, and construction-materials demand benefited from public infrastructure, data centers, energy projects, and resilient nonresidential construction.	Strong pricing power and infrastructure exposure support earnings, even as residential construction remains rate-sensitive.	Sensitive to infrastructure spending, data-center construction, highway funding, energy projects, diesel costs, permitting, and mortgage rates.
Containers & Packaging	**Stable but not leadership-quality**	Packaging benefited from defensive demand, e-commerce, and food/beverage exposure, but volumes remained sensitive to consumer goods demand and input costs.	Cash flows are steadier than metals, but earnings acceleration is less compelling. Margin recovery depends on fiber, resin, energy, and freight costs.	Sensitive to consumer spending, e-commerce volumes, resin, pulp, paperboard, freight, recycled fiber, and sustainability rules.
Industrial Gases	**Defensive quality within Materials**	Long-term contracts, mission-critical customer use cases, hydrogen, electronics, healthcare, and industrial demand supported resilience.	Highest-quality subsector in Materials, with recurring revenue, strong margins, and less commodity-price volatility.	Sensitive to industrial production, energy costs, project execution, hydrogen policy, electronics demand, and global capex cycles.
Coatings / Paints	**Mixed**	Pricing and acquisitions helped sales, but housing, do-it-yourself demand, raw materials, and energy costs remained headwinds.	High-quality brands and distribution, but near-term demand remains tied to housing turnover and repair/remodel activity.	Sensitive to mortgage rates, housing turnover, resin, titanium dioxide, solvents, freight, and consumer confidence.
Agricultural Chemicals / Crop Inputs	**Mixed**	Crop protection and seed demand remained tied to farmer income, commodity prices, acreage decisions, and inventory normalization.	Longer-term food-security and productivity themes help, but near-term demand can be choppy.	Sensitive to corn, soybean, fertilizer prices, global acreage, weather, farm income, China demand, and regulation.
Broad Materials / XLB	**Positive April but not a clean breakout**	Copper, gold, steel tariffs, infrastructure, and earnings revisions helped; higher energy costs, rates, and China uncertainty capped upside.	Better earnings-revision profile than defensive sectors, but cyclical and commodity-sensitive.	Sensitive to manufacturing activity, construction, tariffs, energy prices, the U.S. dollar, China, and Federal Reserve policy.

4/29/2026

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
NUE	Nucor Corporation	Bullish Reversal	51,274.3	0.76	30.7	0.72	1.66	26.1
STLD	Steel Dynamics, Inc.	Uptrend	32,730.5	0.69	27.8	0.67	1.23	21.0
CRH	CRH public limited company	Consolidation	76,606.1	0.88	-5.9	0.99	1.62	0.3
VMC	Vulcan Materials Company	Consolidation	38,024.5	1.44	-3.6	0.51	1.12	-0.7
NEM	Newmont Corporation	Consolidation	117,324.0	0.48	-3.9	0.67	0.41	-4.5
MLM	Martin Marietta Materials, Inc.	Consolidation	36,999.7	1.42	-6.3	0.41	1.11	-4.6
PKG	Packaging Corporation of America	Consolidation	19,816.7	0.97	-1.0	1.62	0.97	-7.3
APD	Air Products and Chemicals, Inc.	Bullish Reversal	67,542.7	1.05	9.4	1.71	0.58	-7.7
ALB	Albemarle Corporation	Uptrend	22,025.6	0.98	15.2	0.63	1.41	-8.0
LIN	Linde plc	Bullish Reversal	236,465.4	1.32	5.3	0.91	0.59	-8.3
FCX	Freeport-McMoRan, Inc.	Bullish Reversal	83,659.5	0.89	-0.4	0.75	1.13	-8.4
PPG	PPG Industries, Inc.	Consolidation	24,098.6	0.63	-6.5	1.92	1.10	-8.4
BALL	Ball Corporation	Bullish Reversal	16,349.8	0.71	5.3	0.95	1.11	-8.5
SW	Smurfit Westrock PLC	Consolidation	21,263.7	0.72	-7.4	3.24	1.41	-9.2
SHW	Sherwin-Williams Company	Consolidation	80,345.9	1.26	-10.1	0.68	1.56	-9.3
ECL	Ecolab Inc.	Consolidation	75,395.8	1.44	-7.6	0.78	1.15	-10.0
DD	DuPont de Nemours, Inc.	Bullish Reversal	18,579.3	0.91	1.9	1.62	0.90	-12.0
AMCR	Amcor PLC	Consolidation	17,807.2	0.43	-12.7	4.77	0.85	-12.4
IFF	International Flavors & Fragrances Inc.	Consolidation	18,077.3	0.75	-4.5	1.70	0.76	-12.5
AVY	Avery Dennison Corporation	Consolidation	12,805.9	0.76	-12.0	1.69	0.95	-12.9
CTVA	Corteva Inc	Bullish Reversal	52,996.9	0.99	2.2	0.68	0.59	-15.9
IP	International Paper Company	Retracement	18,013.1	0.84	-20.8	3.97	1.20	-16.2
DOW	Dow, Inc.	Bullish Reversal	27,395.4	0.65	22.1	2.64	-0.01	-19.0
MOS	Mosaic Company	Consolidation	7,370.9	0.65	-20.4	2.73	0.92	-19.4
CF	CF Industries Holdings, Inc.	Bullish Reversal	18,788.8	0.45	15.8	1.19	0.31	-22.5
LYB	LyondellBasell Industries NV	Bullish Reversal	23,028.7	0.50	23.8	3.37	-0.03	-23.3

Similar to the Energy Sector, Materials stocks swung hard to the downside in April. Base metal miners, particularly aluminum, offered some relief at the top of the table on strong demand while chemicals names reversed sharply lower.

C&P stocks remained in weak trends while Precious Metal Miners have acted well despite some profit taking.

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

Economic & Policy Drivers: Materials Sector

The Materials sector sits at the intersection of inflation, industrial activity, construction, tariffs, supply-chain reshoring, China demand, and commodity scarcity. That made April a constructive month for earnings expectations, but also a complicated month for risk management. The same forces lifting parts of the sector—higher metals prices, tariffs, energy disruption, and infrastructure spending—can also pressure margins in chemicals, coatings, packaging, and downstream manufacturers.

1. Manufacturing activity improved, but input-cost pressure intensified

U.S. manufacturing data were supportive for Materials demand, but not uniformly bullish. The Institute for Supply Management (ISM) Manufacturing Purchasing Managers' Index (PMI) rose to **52.7 in March**, marking a third consecutive expansionary reading. New orders remained in expansion at **53.5**, and chemical products were among the large manufacturing industries reporting increased new orders.

The problem was pricing. The ISM prices index jumped to **78.3** in March from **70.5** in February, signaling a sharp acceleration in input-cost pressure. For Materials companies, that is a double-edged signal. It supports pricing power for metals, chemicals, aggregates, and packaging producers that can pass through costs. But it also raises the risk of margin pressure for companies with energy, resin, freight, and imported-input exposure.

2. Energy inflation is a margin headwind for much of Materials

The March Consumer Price Index (CPI) showed energy prices rising **10.9% month-over-month**, led by a **21.2% increase in gasoline**, the largest monthly increase in the gasoline index since the series began in 1967. That matters directly for Materials because the sector is energy-intensive. Chemicals consume natural gas liquids, electricity, and oil-linked feedstocks. Packaging and coatings are exposed to resin, solvents, pulp, freight, and logistics. Construction materials face diesel and transport costs because aggregates and cement are heavy, local, and costly to move.

Higher energy prices can help Energy equities, but for Materials they are more nuanced. Metals and mining companies may benefit from commodity inflation, but they also face higher operating costs. Chemicals and coatings often need targeted price increases to protect margins. Sherwin-Williams' April commentary captured this clearly: sales and earnings beat expectations, but the company still pointed to rising energy, raw-material, and logistics costs and targeted price hikes to offset inflation.

3. Copper remains the sector's most important growth commodity

Copper remains one of the most important strategic drivers for the Materials sector because it connects electrification, artificial intelligence infrastructure, grid investment, data centers, electric vehicles, defense, and industrial automation. April data reinforced the bullish long-term story, but with near-term volatility. Teck said its average realized copper price in Q1 was **$5.83 per pound**, up from **$4.24** a year earlier, while Reuters noted copper prices had hit all-time highs earlier in the year on supply constraints, low inventories, and strong demand.

However, copper is not a one-way trade. Reuters noted that China's copper imports slowed sharply in early 2026, with inbound shipments in the first two months down **25%** from the same period in 2025. That means U.S. copper-linked equities can benefit from long-term supply scarcity and AI/grid demand, but near-term prices remain vulnerable to China demand pauses, inventory flows, and geopolitical shocks.

For May, copper exposure remains attractive but should be selective. Freeport-McMoRan is highly levered to copper, but April showed that operational execution matters: the company beat profit expectations, yet shares fell after a slower-than-expected recovery at Grasberg and lower production guidance.

4. Gold strength has become a real Materials earnings driver

Gold was one of April's most important Materials tailwinds. Reuters reported that spot gold remained historically elevated in late April, with prices still supported by investment demand and central-bank buying despite a near-term pullback ahead of the Federal Reserve (Fed) meeting. The World Gold Council also reported a 2% year-over-year increase in global gold demand in Q1, supported by bars, coins, and central-bank purchases.

This was highly relevant for Newmont, which became one of XLB's largest holdings after gold's rally. Newmont reported record quarterly earnings and free cash flow and increased its share-repurchase authorization, showing how higher gold prices can translate directly into equity cash flow when production and costs cooperate.

The May risk is that gold is sensitive to real rates and the U.S. dollar. If the Fed stays hawkish and yields rise, gold miners could consolidate. If geopolitical risk, oil inflation, or dollar weakness persists, gold exposure remains a useful defensive-growth sleeve inside Materials.

5. Steel and aluminum tariffs support domestic producers but raise downstream costs

Trade policy became a major Materials catalyst in April. The White House issued an April 2 proclamation modifying Section 232 tariffs on steel, aluminum, and copper, arguing that the tariff regimes were strengthening domestic industries and improving capacity utilization. Legal analysis from White & Case noted that the proclamation significantly changed the tariff framework for steel, aluminum, and copper derivative products, including changes to how duties apply to the customs value of affected goods and modifications to product scope.

For XLB, this is positive for domestic steel and aluminum producers such as Nucor because tariffs can restrict import competition and support realized pricing. Nucor's management said Section 232 tariffs and trade-remedy orders had been effective in reducing imports and that updated tariff guidance helped close a loophole for derivative steel products.

The offset is that tariffs raise costs for downstream users. Construction, packaging, machinery, autos, and industrial customers may face higher input costs, which can eventually reduce demand or force price increases. Mexico's decision to require federal projects to use local steel in response to U.S. tariffs also shows how trade policy can trigger retaliation or localization pressures.

6. Construction and infrastructure are the cleanest demand supports

Construction materials remain one of the strongest subsector setups. Vulcan Materials beat first-quarter revenue expectations on demand for crushed stone, sand, and gravel, with strength tied to public infrastructure, data centers, and energy projects. This matters because aggregates and construction materials are less exposed to global commodity trading and more tied to local infrastructure demand, pricing, and logistics.

The broader construction data are mixed but not weak enough to derail the thesis. Census data showed January construction spending at a seasonally adjusted annual rate of **$2.19 trillion**, down 0.3% from December but still 1.0% above January 2025. More recent housing data showed single-family starts rising to a 13-month high in March, but permits declined, signaling potential softness ahead.

For Materials, this creates a useful split. Public infrastructure, data centers, and energy projects support aggregates, cement, and steel demand. Housing-linked coatings and building products remain more rate-sensitive. That argues for overweighting construction materials tied to infrastructure and nonresidential activity while being more selective on housing-turnover and do-it-yourself exposed names.

Economic & Policy Drivers: Materials Sector (cont'd)

7. AI infrastructure is becoming a Materials demand driver

The artificial intelligence investment cycle is not just a Technology story. Reuters reported that U.S. core capital goods orders surged **3.3% in March**, the strongest increase since June 2020, supported by artificial intelligence and data-center construction. That spending requires power infrastructure, copper wiring, steel, cement, aggregates, coatings, specialty gases, and industrial materials.

This is a key reason Materials has been able to attract investor attention despite its traditional cyclicality. AI infrastructure can support demand for copper, electrical equipment metals, construction aggregates, coatings, industrial gases, and specialized chemicals. The caveat is that AI capex expectations are now high. Any sign that hyperscalers are slowing data-center spending could pressure the Materials names that have benefited from the theme.

8. China remains a demand swing factor

China remains critical for metals, chemicals, and global industrial demand. A Reuters poll showed China's official manufacturing PMI was expected to slow to **50.1 in April** from **50.4 in March**, reflecting still-expanding but slowing factory activity amid higher input costs and global supply-chain disruption.

For U.S. Materials investors, China is both a demand risk and a supply-chain risk. Slower China demand can weigh on copper, chemicals, packaging, and global commodity sentiment. At the same time, China's export controls and policy actions can support prices for strategic minerals. Reuters reported that tungsten prices reached record highs due to Chinese export controls and rising military demand, highlighting how critical-minerals supply chains remain exposed to geopolitics.

9. Critical minerals policy is a structural tailwind

U.S. policy continues to shift toward domestic and allied critical-minerals supply chains. The Department of Energy (DOE) describes its Critical Minerals and Materials Program as focused on building reliable, resilient, affordable, and secure domestic supply chains for energy, manufacturing, and transportation. In April, the U.S. and European Union also launched a critical-minerals partnership aimed at cooperation across exploration, extraction, recycling, standards, stockpiling, and supply-chain resilience.

The policy implication is constructive for copper, nickel, lithium, rare earths, and other strategic materials. However, permitting remains contentious. The Trump administration lifted a federal mining ban near Minnesota's Boundary Waters, allowing Twin Metals to again pursue copper-nickel mining permits, but the project still faces regulatory, legal, environmental, and state-level hurdles.

For May, critical-minerals policy is a long-term support, not an immediate earnings driver for most XLB constituents. It strengthens the strategic case for metals and mining, but project timelines remain long and politically contested.

10. EPA chemical regulation is a manageable but persistent overhang

Chemical regulation remains an important policy risk for Materials. The Environmental Protection Agency (EPA) finalized an April action delaying the start of the reporting period for the perfluoroalkyl and polyfluoroalkyl substances (PFAS) reporting rule under Toxic Substances Control Act (TSCA) Section 8(a)(7). The submission period is now delayed from April 13, 2026, until 60 days after the effective date of a forthcoming revision to the PFAS rule.

This delay is modestly helpful for chemical manufacturers because it reduces near-term compliance pressure and uncertainty. However, it does not eliminate PFAS risk. Chemical and specialty-material companies still face reporting, litigation, reformulation, remediation, and customer-disclosure obligations over time. That keeps a valuation ceiling on companies with higher legacy-chemical exposure while favoring firms with cleaner portfolios, stronger compliance systems, and more specialty-focused products.

11. Federal Reserve, dollar and real-rate sensitivity

The Federal Reserve remains a key macro swing factor. April's FOMC setup was complicated by higher oil prices and inflation risk, with markets expecting the Fed to remain cautious. Reuters reported that investors were focused on whether Chair Jerome Powell would signal a more hawkish stance as oil-driven inflation pressure persisted.

For Materials, the Fed matters through three channels. First, higher rates pressure housing, construction, and renovation demand. Second, higher real yields can weigh on gold. Third, a stronger U.S. dollar can pressure globally priced commodities and the overseas earnings of multinational chemical and mining companies. Materials can still outperform in an inflationary expansion, but it is vulnerable if rates rise because inflation is hurting demand rather than because growth is accelerating.

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.