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## Monthly Insights: May Outlook

## S&P 500

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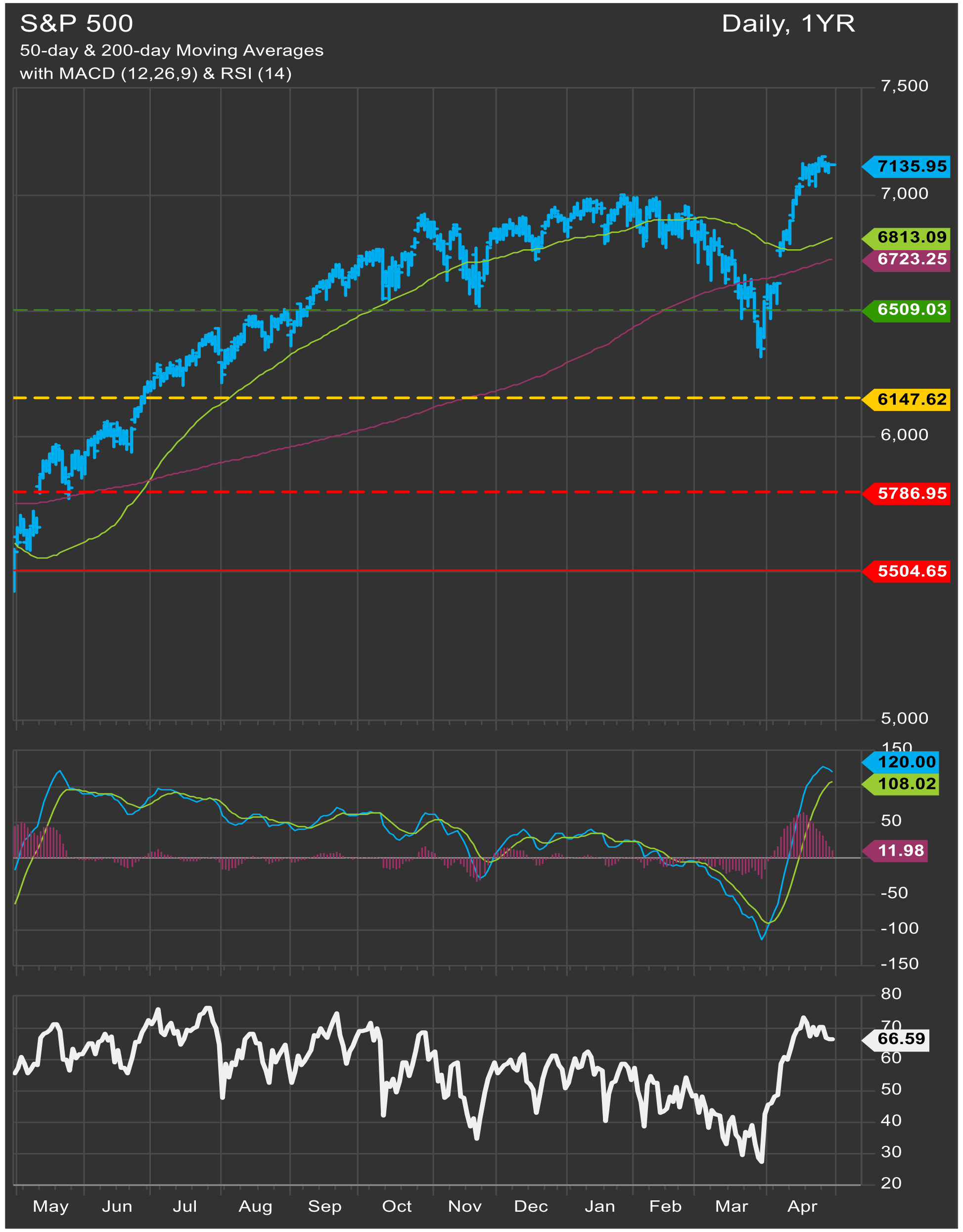
# Sector Price Action & Performance Review: S&P 500




4/29/2026

The S&P 500 entered April under pressure after a volatile first quarter, but the index recovered sharply as investors rotated back into artificial intelligence (AI), semiconductors, Industrials, Financials, Energy, and other cyclical or commodity-linked leadership groups. SPY was trading around **$711.58** on April 29, roughly flat on the day, with intraday trading between **$707.88 and $713.49**.

The technical picture is constructive, but narrower than the headline index suggests. The index has been supported by large-cap Technology, AI infrastructure, Energy, Industrials, and select Financials, while more defensive or consumer-sensitive sectors have lagged. That is important for allocation because the April recovery was not a broad-based "buy everything" rally. Leadership was concentrated in sectors with either earnings acceleration, AI capex exposure, inflation protection, or policy-supported capital spending.

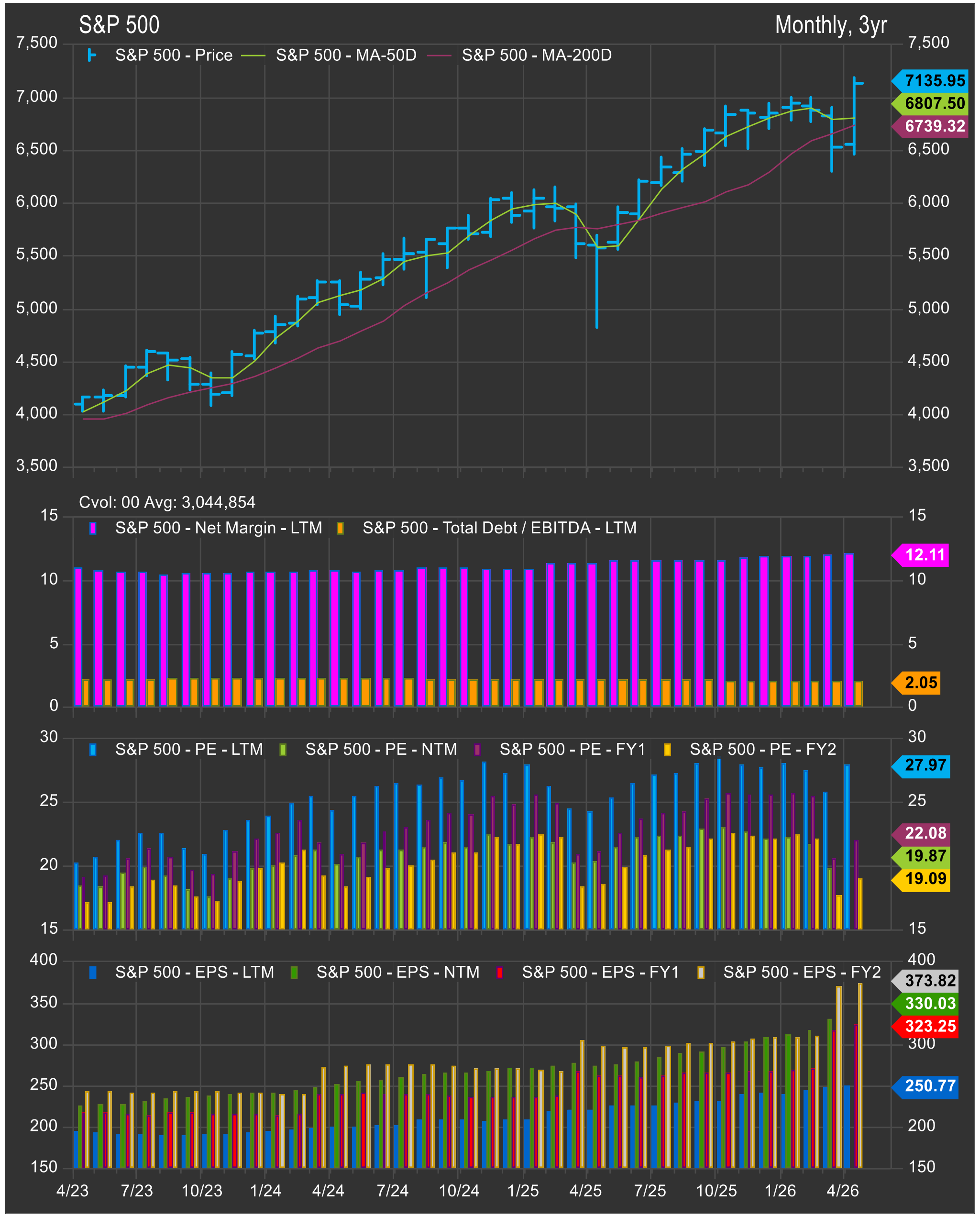
From a technical model perspective, the weakest sector inputs are concentrated in **Consumer Staples, Consumer Discretionary, and Healthcare**. Staples lack relative momentum and earnings acceleration. Discretionary rallied in April, but remains vulnerable to persistent higher rates, fuel prices, tariffs, and household cost pressure. Healthcare has defensive qualities, but XLV's technical pattern remains weak and the sector has struggled to keep pace with broader risk-on leadership. By contrast, the model's highest-conviction overweight calls remain **Information Technology, Industrials, and commodity-linked exposure through Energy and Materials**.

- The May sector outlook favors **growth, capital spending, and commodity-linked inflation hedges** over broad defensives or consumer-sensitive groups. The highest-conviction overweight sectors are **Information Technology, Industrials, Energy, and Materials**. Technology remains the primary earnings and AI infrastructure engine. Industrials provide the best non-Tech route into data-center capex, defense, aerospace, electrification, grid investment, and reshoring. Energy and Materials provide commodity exposure, inflation sensitivity, geopolitical hedging, and earnings upside from oil, copper, gold, steel, and infrastructure demand.
- The weakest sectors are **Consumer Staples, Consumer Discretionary, and Healthcare**. Staples are defensive but lack earnings acceleration and technical momentum. Discretionary is vulnerable to persistent higher rates, fuel prices, tariffs, and household cost pressure. Healthcare has pockets of strength in Managed Care and select large-cap Pharma, but the broad sector has weak technicals, policy uncertainty, and uneven earnings trends.
- Overall, the sector strategy is to **stay pro-risk, but not indiscriminately pro-cyclical**: overweight Technology, Industrials, and commodity-linked sectors; keep Financials and Communication Services selective; and underweight Consumer Staples, Consumer Discretionary, and Healthcare unless the market shifts decisively into a defensive risk-off regime.
- **Our Elev8 Sector Rotation Model Portfolio starts April with the following sector allocations:**

**Elev8 Model Positions: May 2026**

| | BMK Weight | Elev8 Model | +/- |
|---|---|---|---|
| VGT | 36.22% | 43.40% | **7.18%** |
| XLI | 8.62% | 13.55% | **4.93%** |
| XLE | 3.49% | 7.62% | **4.13%** |
| XLB | 1.99% | 5.88% | **3.90%** |
| VNQ | 1.92% | 4.21% | **2.29%** |
| XLU | 2.33% | 4.07% | **1.74%** |
| XLC | 9.92% | 11.21% | **1.29%** |
| XLF | 12.20% | 10.05% | **-2.16%** |
| XLP | 4.89% | 0.00% | **-4.89%** |
| XLV | 8.58% | 0.00% | **-8.58%** |
| XLY | 9.83% | 0.00% | **-9.83%** |

# Fundamentals: S&P 500



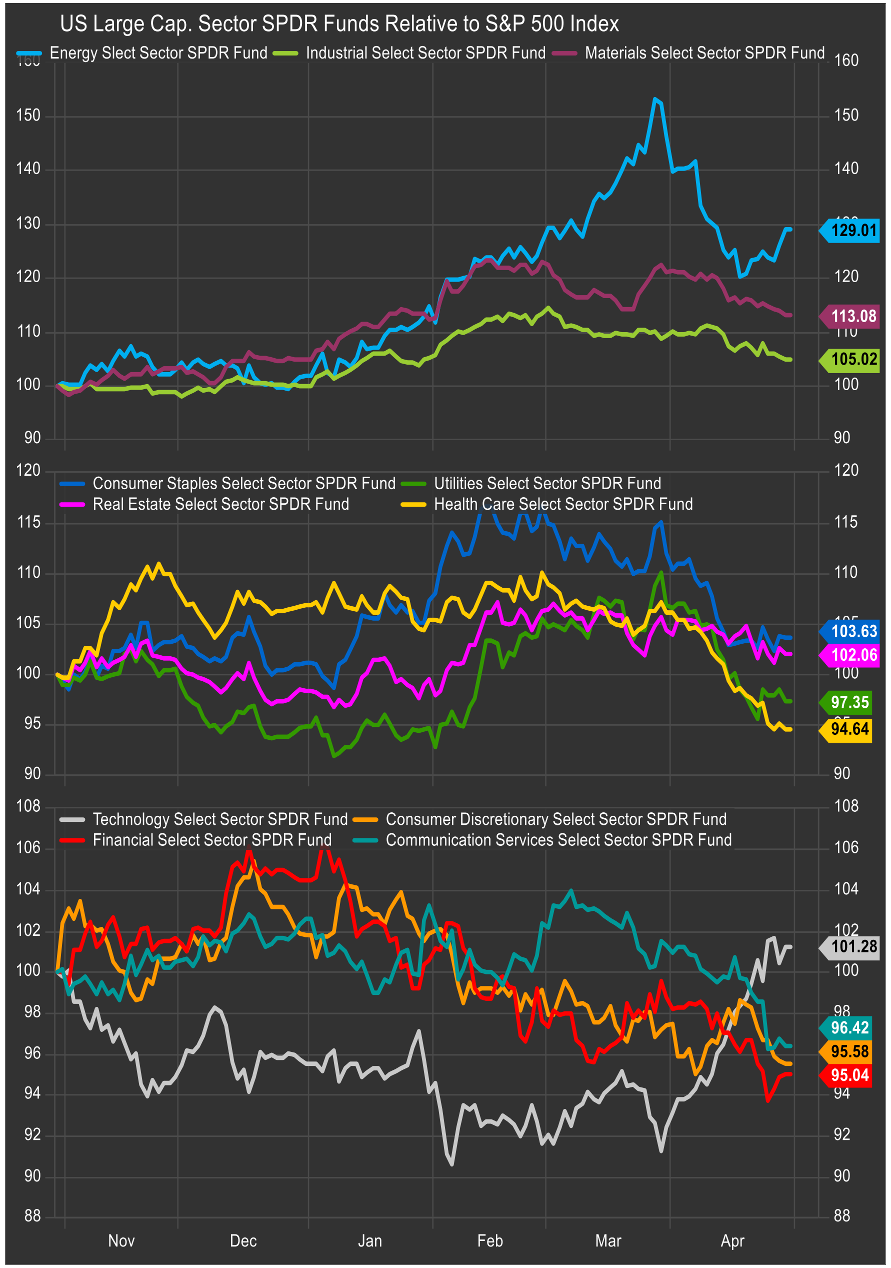

The S&P 500 earnings backdrop remains supportive, but sector dispersion is high. FactSet's April 24 Earnings Insight showed that eight of eleven S&P 500 sectors were reporting year-over-year earnings growth, led by **Information Technology, Materials, Financials, and Industrials**. The same update showed earnings declines in three sectors, led by **Energy and Health Care**.

This earnings mix reinforces the sector model. Technology remains the strongest earnings engine, driven by semiconductors, AI infrastructure, cloud, and platform monetization. Materials have benefited from metals, mining, gold, copper, steel pricing, and commodity inflation. Financials have delivered stronger-than-expected earnings, helped by banks, capital markets, and insurance. Industrials have been supported by aerospace, defense, electrical equipment, power infrastructure, and data-center-related capital spending.

The weak areas are different. Healthcare is facing earnings pressure, policy uncertainty, drug-pricing risk, weak Life Sciences Tools and Contract Research Organization (CRO) demand, and uneven MedTech performance. Staples offer durability, but not earnings acceleration. Discretionary remains highly dependent on Amazon, Tesla, and a narrow group of winners, while broader consumer fundamentals are exposed to rates, fuel, tariffs, insurance, and credit pressure.

SPY's sector composition also matters. As of April 28, State Street showed the S&P 500 / SPY sector weights as **Information Technology 35.50%**, **Financials 12.08%**, **Communication Services 10.73%**, **Consumer Discretionary 9.94%**, **Industrials 8.71%**, **Health Care 8.45%**, **Consumer Staples 4.92%**, **Energy 3.43%**, **Utilities 2.34%**, **Materials 1.97%**, and **Real Estate 1.92%**. The index is therefore already heavily exposed to Technology; the key question is whether investors should lean further into that leadership or diversify toward Industrials and commodities rather than rotate back into defensives.

# Industry/Sub-Industry Performance and Breadth: S&P 500




| Sector | Approx. S&P 500 Weight | Fundamental Read | Macro / Policy Sensitivity |
|---|---|---|---|
| **Information Technology** | **35.5%** | Best earnings-growth profile in the index, with semiconductors and AI infrastructure still the dominant profit engine. | Sensitive to AI capex, export controls, U.S.-China policy, hyperscaler spending, power availability, rates, and valuation. |
| **Industrials** | **8.7%** | Earnings revisions improved meaningfully; strength concentrated in Electrical Equipment, Aerospace & Defense, Construction & Engineering, and select Machinery. | Sensitive to AI data-center capex, defense budgets, manufacturing activity, tariffs, oil, rates, and global trade. |
| **Energy** | **3.4%** | Q1 earnings comparisons are uneven, but forward estimates improve if crude stays elevated and product markets remain tight. | Sensitive to Middle East conflict, Strait of Hormuz risk, Organization of the Petroleum Exporting Countries and allies (OPEC+) policy, U.S. production, LNG, and fuel inflation. |
| **Materials** | **2.0%** | Better earnings-revision profile than defensives; Metals & Mining and Construction Materials are the strongest internal groups. | Sensitive to tariffs, China demand, copper, gold, steel, energy costs, infrastructure, construction, and the U.S. dollar. |
| **Financials** | **12.1%** | Earnings growth and revenue growth were better than feared; banks and capital markets delivered positive surprises. | Sensitive to the Federal Reserve (Fed), yield curve, credit quality, commercial real estate, consumer credit, private credit, and capital rules. |
| **Communication Services** | **10.7%** | Strong revenue growth, but margins and AI capital spending must be validated. | Sensitive to digital ads, AI monetization, antitrust, cloud/AI regulation, streaming costs, broadband, and consumer engagement. |
| **Utilities** | **2.3%** | Better long-term growth story due to data centers, electricity demand, grid investment, and nuclear scarcity value. | Sensitive to Treasury yields, state utility commissions, Federal Energy Regulatory Commission (FERC), data-center load, rate cases, and customer affordability. |
| **Real Estate** | **1.9%** | Fundamentals are bifurcated: data centers, senior housing, and select retail are strong; office and leveraged REITs remain challenged. | Sensitive to Treasury yields, refinancing, credit spreads, property values, data-center power access, and local regulation. |
| **Consumer Staples** | **4.9%** | Durable demand, but modest earnings growth, fading pricing power, private-label pressure, and tariff/input-cost risk. | Sensitive to food inflation, gasoline, tariffs, freight, consumer trade-down, food policy, nicotine regulation, and pricing scrutiny. |
| **Consumer Discretionary** | **9.9%** | Mixed fundamentals; strong winners exist, but autos, housing-linked retail, apparel, leisure, and lower-income discretionary exposure remain vulnerable. | Sensitive to rates, fuel prices, tariffs, consumer sentiment, credit costs, housing turnover, auto affordability, and wage pressure. |
| **Health Care** | **8.5%** | Managed Care improved, but Pharma, Biotech, MedTech, Life Sciences Tools, and CROs remain uneven. | Sensitive to Centers for Medicare & Medicaid Services (CMS), Managed Care Organizations (MCOs), drug pricing, Food and Drug Administration (FDA), rates, and healthcare utilization. |

# Top 10/Bottom 10 Stock Level Performers: S&P 500

| 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 |
|---|---|---|---|---|---|---|---|---|---|
| INTC | Intel Corporation | Information Technology | Uptrend | 424,797.5 | 3.39 | 80.3 | 0.04 | 1.66 | 83.8 |
| SNDK | Sandisk Corporation | Information Technology | Uptrend | 147,947.8 | 0.45 | 152.2 | 0.00 | 5.06 | 50.6 |
| AMD | Advanced Micro Devices, Inc. | Information Technology | Uptrend | 526,941.8 | 1.86 | 31.2 | 0.00 | 1.76 | 47.8 |
| ON | ON Semiconductor Corporation | Information Technology | Bullish Reversal | 36,697.4 | 1.35 | 50.0 | 0.00 | 1.76 | 47.7 |
| CNC | Centene Corporation | Health Care | Bullish Reversal | 24,377.2 | 0.65 | 29.7 | 0.00 | 0.56 | 42.7 |
| STX | Seagate Technology Holdings PLC | Information Technology | Uptrend | 126,270.8 | 1.41 | 57.5 | 0.36 | 1.94 | 40.2 |
| MPWR | Monolithic Power Systems, Inc. | Information Technology | Uptrend | 73,877.4 | 3.11 | 29.8 | 0.37 | 1.57 | 30.9 |
| WDC | Western Digital Corporation | Information Technology | Uptrend | 132,560.4 | 1.38 | 69.4 | 0.09 | 1.88 | 29.8 |
| UNH | UnitedHealth Group Incorporated | Health Care | Bullish Reversal | 332,908.3 | 0.91 | 19.8 | 1.74 | 0.16 | 29.4 |
| MU | Micron Technology, Inc. | Information Technology | Uptrend | 568,705.0 | 0.29 | 40.0 | 0.08 | 2.01 | 29.1 |

| 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 |
|---|---|---|---|---|---|---|---|---|---|
| CHTR | Charter Communications, Inc. Class A | Communication Services | Downtrend | 21,289.9 | 0.19 | -20.8 | 0.00 | 0.53 | -33.2 |
| TSCO | Tractor Supply Company | Consumer Discretionary | Downtrend | 18,720.6 | 0.77 | -36.6 | 1.95 | 0.95 | -32.8 |
| LMT | Lockheed Martin Corporation | Industrials | Retracement | 118,115.4 | 0.79 | -16.4 | 1.95 | 0.25 | -29.0 |
| AKAM | Akamai Technologies, Inc. | Information Technology | Consolidation | 14,049.5 | 0.64 | -8.9 | 0.00 | -0.27 | -28.8 |
| TPL | Texas Pacific Land Corporation | Energy | Bullish Reversal | 29,706.9 | 2.07 | 8.6 | 0.40 | 0.31 | -28.0 |
| EPAM | EPAM Systems, Inc. | Information Technology | Downtrend | 6,022.2 | 0.41 | -40.2 | 0.00 | 1.56 | -27.7 |
| BSX | Boston Scientific Corporation | Health Care | Retracement | 86,866.9 | 0.79 | -37.7 | 0.00 | 0.92 | -27.7 |
| NOC | Northrop Grumman Corp. | Industrials | Consolidation | 82,069.8 | 0.96 | -18.6 | 1.19 | 0.01 | -27.1 |
| EXE | Expand Energy Corporation | Energy | Retracement | 23,309.0 | 0.50 | -16.3 | 1.71 | 0.20 | -26.7 |
| APA | APA Corporation | Energy | Bullish Reversal | 13,658.9 | 0.37 | 29.8 | 1.89 | -0.27 | -24.5 |

AI infrastructure dominated April though managed care names (UNH, CNC) also managed to crack the monthly top 10.

On the downside some prior leading names from the Energy sector (APA) and Aero/Defense industry (NOC, LMT) joined slumping names across sectors.

*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: S&P 500

The macro backdrop for the S&P 500 remains constructive enough to support risk assets, but the leadership profile is narrowing. The index is still being driven by earnings acceleration, artificial intelligence (AI) capital spending, industrial investment, commodity inflation, and select policy tailwinds. However, persistent higher rates, oil-price pressure, tariff pass-through, and weaker consumer purchasing power argue for a more selective sector stance. That supports our current allocation view: **overweight Technology, Industrials, Energy, and Materials; underweight Consumer Staples, Consumer Discretionary, and Healthcare.**

**1. Growth is positive, but the mix favors investment over the consumer**

The U.S. economy is still expanding, but the quality of growth is shifting. The Bureau of Economic Analysis (BEA) reported that real gross domestic product (GDP) grew at a **2.0% annualized rate in Q1 2026**, up from **0.5% in Q4 2025**. Growth was supported by investment, exports, consumer spending, and government spending, while imports were a drag.

That mix matters for sector allocation. The strongest parts of the market are tied to **capital spending, AI infrastructure, manufacturing, defense, commodities, and power demand**, not to broad consumer acceleration. Business investment and data-center spending support Technology, Industrials, Materials, Utilities, and parts of Real Estate. By contrast, the consumer side of the economy looks less compelling. Retail sales were strong in nominal terms, with March retail and food-services sales up **1.7% month-over-month** and **4.0% year-over-year**, but the Census Bureau notes those figures are not adjusted for price changes. That makes it harder to interpret headline retail strength as a clean volume signal for Consumer Discretionary.

The investment implication is that the S&P 500 can continue to work even if the average household becomes more cautious, but sector leadership should remain concentrated in companies tied to corporate investment, infrastructure, productivity, and commodity scarcity.

**2. The Federal Reserve remains a constraint on defensive and consumer-sensitive sectors**

The Federal Reserve (Fed) kept its benchmark interest rate steady at **3.5%–3.75%** on April 29, and Reuters described the decision as the most divided vote since 1992. The disagreement reflected concern over inflation, energy prices, and the proper timing of future rate cuts.

For the S&P 500, the message is that rate relief is not yet a dependable catalyst. Persistent higher rates pressure long-duration equities, rate-sensitive consumers, housing, Real Estate Investment Trusts (REITs), and heavily levered business models. They also cap enthusiasm for defensive sectors that trade like bond proxies, including Consumer Staples, Utilities, and Real Estate.

However, higher rates are not uniformly negative. Financials can benefit from higher asset yields if credit quality holds. Insurers can earn stronger investment income. Large profitable Technology companies can absorb higher discount rates if earnings growth remains exceptional. Industrials can outperform if rates remain high because nominal growth, capital spending, and infrastructure investment are still strong. That is why the rate backdrop supports **selectivity**, not a wholesale retreat from equities.

**3. Inflation pressure has re-accelerated through energy and tariffs**

Inflation risk has moved back to the center of the market narrative. Reuters reported that the Personal Consumption Expenditures (PCE) price index rose **0.7% in March**, while year-over-year PCE inflation rose to **3.5%** and core PCE inflation held at **3.2%**. Gasoline prices were a major driver, with average gasoline prices up **24.1% in March**.

This is a clear negative for Consumer Discretionary and Consumer Staples. Higher gasoline prices reduce disposable income, especially for lower- and middle-income households. They also raise freight, logistics, packaging, delivery, travel, and restaurant costs. Consumer Staples may be defensive, but they are not immune: slower volume growth, private-label competition, and reduced pricing power make it harder to pass through incremental cost inflation. Consumer Discretionary is even more exposed because autos, apparel, restaurants, travel, leisure, home improvement, and household durables are all sensitive to financing costs and household cash flow.

Inflation is more positive for Energy and parts of Materials. Higher oil prices directly support Energy cash flows, while copper, gold, steel, and industrial materials can benefit from scarcity and tariff-supported pricing. The key risk is that inflation becomes demand-destructive. If oil and tariffs squeeze consumers too aggressively, the market could shift from inflation-hedge leadership toward a broader growth scare.

**4. Oil and geopolitical risk support commodities but pressure consumers**

Energy remains one of the most important macro variables for May. Reuters reported that analysts have raised oil-price forecasts because of prolonged disruption tied to the Iran conflict and the Strait of Hormuz, with Brent crude above **$120 per barrel** and forecasts now expecting tighter supply conditions in 2026.

That supports an overweight to **Energy** as both an earnings and hedge exposure. Integrated majors, oil-weighted Exploration & Production companies, refiners, and midstream operators can benefit from higher crude, tight refined-product inventories, export strength, and geopolitical risk premiums.

The same driver is a headwind for Consumer Discretionary, Staples, Airlines, Transports, Restaurants, and some Industrials. This creates one of the clearest cross-sector allocation splits: **own the beneficiaries of energy inflation, avoid the groups that must absorb it or pass it on to stressed consumers.**

**5. AI capital spending remains the dominant positive market driver**

The strongest bullish driver for the S&P 500 remains the AI capital-spending cycle. Reuters reported that Microsoft, Alphabet, Amazon, and Meta are on track to spend roughly **$600 billion** on AI infrastructure in 2026, a historic level of investment that has pressured cash flow but sustained market confidence in future growth.

This directly supports **Information Technology** through semiconductors, networking, cloud platforms, cybersecurity, memory, storage, and software platforms. But the AI theme is now much broader than Tech. It supports **Industrials** through electrical equipment, power systems, grid infrastructure, cooling, engineering, construction, automation, and backup generation. It supports **Materials** through copper, steel, industrial gases, cement, aggregates, and specialty materials. It also supports **Utilities and Real Estate** through power demand and data-center capacity.

That broadening is important. The highest-conviction overweight is still Technology, but the better portfolio construction is **Tech plus Industrials plus commodity-linked infrastructure**, rather than a narrow mega-cap software/semiconductor bet. The key risk is that investors demand proof of return on invested capital. If hyperscaler guidance begins to question the pace of AI spending, leadership could weaken quickly.

# Economic & Policy Drivers: S&P 500 (Cont'd)

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**6. Manufacturing and capital goods favor Industrials and Materials**

Manufacturing data support the overweight in Industrials and Materials. The Institute for Supply Management (ISM) Manufacturing Purchasing Managers' Index (PMI) rose to **52.7 in March**, with new orders expanding at **53.5**. Four of the six largest manufacturing industries, including transportation equipment, computer and electronic products, machinery, and chemical products, reported increased new orders.

At the same time, input-cost pressure is rising. ISM's Prices Index rose to **78.3**, its highest level since June 2022, signaling renewed cost inflation across manufacturing supply chains.

That combination favors companies with pricing power and operating leverage. Electrical equipment, aerospace, defense, construction and engineering, industrial automation, metals, mining, steel, and industrial gases are better positioned. Margin-sensitive consumer manufacturers, packaging users, retailers, apparel companies, and housing-linked companies are less attractive.

**7. Tariffs reinforce the sector split**

Tariff policy is another reason to favor Materials and select Industrials over consumer sectors. Federal Reserve research estimated that tariffs implemented through November 2025 raised core goods PCE prices by **3.1%** through February 2026 and contributed **0.8 percentage points** to core PCE prices overall. The White House also issued an April proclamation modifying tariff regimes on aluminum, steel, copper, and derivative products under Section 232 national-security authority.

For domestic metals and parts of Materials, tariffs can support realized pricing and import protection. For reshoring-linked Industrials, tariffs can strengthen domestic investment incentives. But for Consumer Discretionary and Staples, tariffs are mostly a cost problem. Apparel, footwear, home goods, autos, consumer electronics, packaged goods, and retailers may have to choose between protecting margins and preserving volumes. That reinforces our underweight stance on Discretionary and Staples.

**8. Earnings breadth supports cyclicals and growth over defensives**

The earnings backdrop is still supportive, but leadership is sector-specific. FactSet's April 24 Earnings Insight showed that eight of eleven sectors are reporting year-over-year earnings growth, led by **Information Technology, Materials, Financials, and Industrials**. It also showed three sectors reporting earnings declines, led by **Energy and Health Care**, while S&P 500 blended revenue growth was **10.3%**, above both the five- and ten-year averages.

This confirms the model signal. Technology has the strongest profit engine. Materials and Industrials have positive revisions tied to commodity pricing, infrastructure, and capital spending. Financials are improving, though credit risk keeps conviction below Tech/Industrials/commodities. Healthcare remains weak because Managed Care strength is not enough to offset Pharma, Biotech, Life Sciences Tools, and MedTech dispersion. Staples lack earnings acceleration, while Discretionary remains exposed to household cost pressure.

**9. Policy risk is sector-specific, not market-wide**

Policy risk is not one unified market overhang; it is sector-specific. Technology and Communication Services face AI regulation, antitrust, privacy, export controls, and U.S.-China restrictions. Healthcare faces Centers for Medicare & Medicaid Services (CMS) reimbursement policy, Food and Drug Administration (FDA) decisions, drug pricing, and Managed Care Organization (MCO) scrutiny. Financials face capital rules, commercial real estate, consumer credit, and private-credit linkages. Utilities and Real Estate face power-grid cost allocation, rate cases, permitting, and data-center interconnection policy.

This policy dispersion supports active sector allocation. The sectors with the best policy alignment are Industrials, Energy, and parts of Materials, where defense spending, infrastructure, tariffs, energy security, and reshoring are supportive. The sectors with the least favorable policy alignment are Healthcare and consumer-facing sectors exposed to pricing scrutiny, reimbursement, tariffs, and affordability pressure.

# 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.