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Monthly Insights: June Outlook
Communication Services Sector

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Sector Price Action & Performance Review: Communication Services Sector



The S&P 500 Communication Services sector should be treated as **market weight with a selective quality bias** heading into June. The sector has several attractive attributes: high margins, strong digital advertising platforms, dominant search and social franchises, improved streaming economics, telecom cash-flow durability and reasonable valuation relative to Technology. However, the sector is not clean enough for an overweight because its earnings growth is highly concentrated in Alphabet and Meta, AI capital spending is becoming a more visible margin and free-cash-flow debate, and regulatory risk remains elevated across search, social media, advertising technology, privacy, youth safety and telecom.

Using VOX as the reference ETF, the sector's technical profile is neutral rather than bullish. In the 5/28 return and flow data you provided, VOX is down **0.67% over one month**, up **2.74% over three months**, and up **8.09% over six months**, with a **49.0 RSI**. That is neither a breakdown nor a leadership signal. Flows are also mixed: roughly **-\$19 million over one month**, **-\$404 million year to date**, and **+\$138 million over one year**. Investors are not abandoning the sector, but they are not allocating incremental capital to it with the same conviction they are showing toward Technology, Industrials or inflation-sensitive cyclicals.

The upside case is that digital advertising remains resilient, Alphabet and Meta continue to show AI-enabled ad improvement, cloud and search monetization stay strong, streaming profitability improves, and telecom cash flows stabilize. In that scenario, VOX can outperform from a reasonable valuation base, especially if investors seek a lower-multiple alternative to Technology while maintaining exposure to AI and digital platforms.

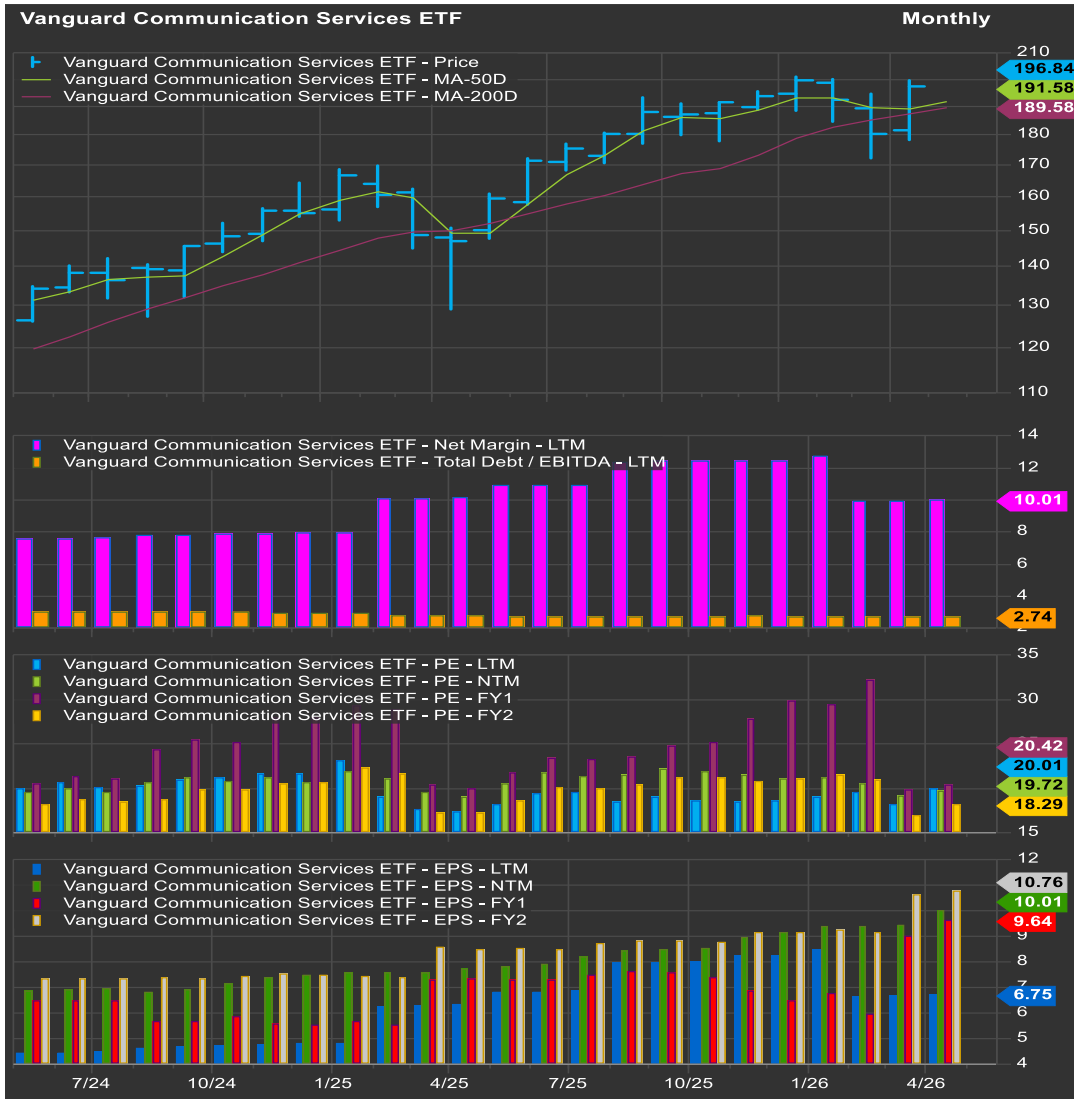
The downside case is that AI capex becomes the dominant narrative. If investors conclude that Alphabet and Meta must keep spending aggressively without sufficient near-term monetization, multiples could compress even if revenue growth remains strong. Regulatory risk is the second downside case: antitrust, DMA enforcement, youth-safety litigation, privacy rules or telecom penalties could all weigh on sentiment. A weaker consumer or advertising slowdown would also pressure the sector, particularly media, streaming and advertising-exposed names.

The preferred June implementation is to maintain market-weight exposure with a tilt toward the highest-quality platforms and streaming businesses. Favor Alphabet and Meta where AI improves ad targeting, engagement and cloud/search economics, but monitor capex and regulatory risk closely. Favor Netflix and selected streaming leaders where pricing power and profitability are visible. Use telecom selectively for cash flow and defensive balance, emphasizing fiber/wireless convergence and disciplined capital allocation. Be cautious on traditional media, cable, advertising agencies, publishing and high-cost content models.

Bottom line: Communication Services is a high-quality sector, but not a high-conviction overweight for June. The headline earnings growth is excellent, but too dependent on Alphabet and Meta. The valuation is reasonable, but AI capex and regulatory risk cap the multiple. VOX should remain in the portfolio as a selective quality allocation, but incremental risk should still be directed more aggressively toward Technology and Industrials.

We start June with an overweight allocation of +0.54% to the Communication Services in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

Fundamentals: Communication Services Sector



Fundamentally, Communication Services is attractive on quality and valuation, but less attractive on breadth. Vanguard's VOX profile shows **114 holdings**, a **19.3x P/E**, **3.5x P/B**, **29.0% return on equity**, and an **18.8% earnings-growth rate**. Those metrics are appealing relative to the broader market and especially relative to Technology, because VOX offers high profitability at a lower multiple. The risk is that the sector's quality is heavily concentrated in a small number of companies.

VOX's top ten holdings represent **73.5%** of assets. Alphabet is **22.1%**, Meta is **20.8%**, Netflix is **5.8%**, Verizon is **4.8%**, AT&T is **4.7%**, Disney is **4.1%**, T-Mobile is **3.1%**, Warner Bros. Discovery is **3.0%**, Comcast is **3.0%**, and Electronic Arts is **2.2%**. This makes the sector less diversified than the label suggests. In practice, VOX is a barbell between high-margin digital platforms and slower-growth telecom/media assets.

The subindustry mix tells the same story. Interactive Media & Services is **46.5%** of common-stock exposure, Movies & Entertainment **19.0%**, Integrated Telecommunication Services **12.8%**, Interactive Home Entertainment **6.0%**, Cable & Satellite **3.4%**, Wireless Telecom **3.4%**, Advertising **2.6%**, Alternative Carriers **2.5%**, Broadcasting **2.0%**, and Publishing **1.9%**. The sector's return path is therefore dominated by digital ads, search, social media, streaming, telecom and content.

The strongest fundamental area remains Interactive Media & Services. Alphabet and Meta benefit from dominant user networks, data advantages, scaled ad infrastructure, AI-enabled targeting and large free-cash-flow bases. Their biggest challenge is no longer revenue growth; it is proving that AI capex can deepen competitive moats without permanently diluting margins or creating regulatory blowback.

Streaming is improving but remains selective. Netflix remains the highest-quality pure-play streaming model because it has scale, pricing power, global reach and a more mature profitability profile. Disney and Comcast/NBCUniversal are improving streaming economics, but sports rights, content costs and legacy network decline create offsets. Warner Bros. Discovery and other traditional media names remain more challenged because balance sheets, linear-TV decline and content strategy are still in transition.

Telecom provides stability but limited upside. AT&T, Verizon and T-Mobile benefit from wireless demand, fiber buildouts, convergence and sticky customer relationships. However, competition remains intense, device subsidies are costly, capital intensity is high, and revenue growth is modest. Telecom is useful within the sector, but it is unlikely to drive VOX outperformance unless rates fall or investors rotate aggressively into yield and defensive cash flow.

Ticker	Price	1D	1W	1M	3M	6M	RSI	1M Flow	YTD Flow	1Y Flow
VOX	\$195.55	-0.17%	-0.80%	-0.67%	+2.74%	+8.09%	49.0	-\$19.0M	-\$403.8M	\$137.6M

5/28/2026

Industry/Sub-Industry Performance and Breadth: Communication Services Sector



Industry	Approx. Fund Weight	Fundamental Read	Macro / Policy Sensitivity
Interactive Media & Services	46.5%	Dominant digital-ad and platform economics; AI monetization is key.	Ads, antitrust, privacy, content moderation, AI regulation, compute capex.
Movies & Entertainment	19.0%	Streaming scale and content discipline can improve margins.	Churn, sports rights, labor, box office, advertising.
Integrated Telecom Services	12.8%	Stable cash flows and dividends; modest growth.	Broadband competition, capex, spectrum, labor, net neutrality.
Interactive Home Entertainment	6.0%	IP and live-service models support resilience.	Consumer spending, platform fees, regulation, hit cycles.
Cable & Satellite	3.4%	Broadband cash flows offset video decline.	Fixed wireless, content costs, regulation, household budgets.
Wireless Telecom Services	3.4%	Scale supports cash flow, but capex intensity is high.	Spectrum, device cycles, churn, rates.
Advertising	2.6%	Cyclical exposure to marketing budgets.	Macro growth, privacy, algorithms, agency budgets.
Alternative Carriers	2.5%	Niche connectivity exposure; leverage matters.	Fiber, refinancing, regulation, enterprise demand.
Broadcasting / Publishing	3.9%	Secular pressure; political ads can help tactically.	Political ads, retransmission, local regulation.

Stock Level Performers: Communication Services 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
GOOGL	Alphabet Inc. Class A	Communication Services	Uptrend	4,364,307.7	1.28	11.5	0.16	1.16	6.0
LYV	Live Nation Entertainment, Inc.	Communication Services	Consolidation	38,760.6	8.70	0.2	0.00	1.11	1.5
TMUS	T-Mobile US, Inc.	Communication Services	Retracement	206,495.5	0.77	-14.7	1.59	0.06	-0.5
FOX	Fox Corporation Class B	Communication Services	Consolidation	25,999.8	0.49	-0.5	0.71	0.65	-2.3
VZ	Verizon Communications Inc.	Communication Services	Bullish Reversal	201,429.0	0.45	-4.6	4.25	0.11	-2.5
TTWO	Take-Two Interactive Software, Inc.	Communication Services	Consolidation	40,560.7	1.43	-8.3	0.00	0.80	-2.7
DIS	Walt Disney Company	Communication Services	Downtrend	180,909.8	0.68	-8.6	0.94	1.51	-3.2
WBD	Warner Bros. Discovery, Inc. Series A	Communication Services	Consolidation	68,043.7	#N/A	-7.3	0.00	1.49	-3.8
TKO	TKO Group Holdings, Inc. Class A	Communication Services	Consolidation	14,066.9	1.80	-16.7	0.56	0.41	-4.2
SATS	EchoStar Corporation Class A	Communication Services	Uptrend	19,405.6	30.46	9.2	0.00	0.98	-4.3
PSKY	Paramount Skydance Corporation Class B	Communication Services	Downtrend	11,551.1	0.74	-25.3	1.35	1.53	-4.7
NWS	News Corporation Class B	Communication Services	Consolidation	15,272.2	1.15	-0.6	0.48	0.82	-5.2
EA	Electronic Arts Inc.	Communication Services	Consolidation	50,320.8	1.06	-8.7	0.27	0.32	-5.7
OMC	Omnicom Group Inc	Communication Services	Consolidation	21,332.7	0.32	-13.3	3.38	0.71	-6.5
T	AT&T Inc	Communication Services	Consolidation	172,944.2	0.49	-14.6	3.24	-0.16	-7.4
TTD	Trade Desk, Inc. Class A	Communication Services	Downtrend	9,517.8	0.98	-21.4	0.00	1.98	-8.6
NFLX	Netflix, Inc.	Communication Services	Retracement	367,813.2	1.13	-18.0	0.22	0.85	-9.3
META	Meta Platforms Inc Class A	Communication Services	Consolidation	1,395,048.8	0.90	-11.3	0.23	1.55	-11.3
CMCSA	Comcast Corporation Class A	Communication Services	Downtrend	89,853.4	0.33	-19.1	3.84	0.27	-13.3
CHTR	Charter Communications, Inc. Class A	Communication Services	Downtrend	18,100.9	0.16	-37.1	0.00	0.04	-20.7

GOOGL is the only stock keeping the sector afloat. Legacy media, streamers, and cable television stocks have been under pressure while META has gone into intermediate-term consolidation and hasn't been supporting sector performance like it was in 2025

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

Appendix: Sources (all chart sourced from FactSet Research Systems Inc.)

- **FactSet Earnings Insight** — Communication Services earnings growth, margin expansion and concentration in Alphabet/Meta.
- **Reuters: Alphabet revenue and Google Cloud AI growth** — digital platform, cloud and AI capex narrative.
- **Meta Q1 2026 earnings release** — revenue, advertising, free cash flow and capex.
- **Reuters: Meta AI capex and legal/regulatory scrutiny** — AI spending and policy-risk narrative.
- **Reuters: Netflix guidance / streaming growth concerns** — streaming profitability and expectation risk.
- **Reuters: Disney earnings and streaming / sports cost dynamics** — media, streaming and content-cost backdrop.
- **Reuters: AT&T wireless subscribers and bundling** — telecom subscriber and fiber/wireless convergence.
- **Reuters: EU potential Google fine** — antitrust / Digital Markets Act regulatory risk.
- **Reuters: Supreme Court / FCC wireless-carrier fine case** — telecom regulatory risk.
- **NTIA BEAD Program** — broadband infrastructure policy backdrop.

Economic & Policy Drivers: Communication Services Sector

The macro setup is mixed for Communication Services. Digital advertising is cyclical, but it has become more resilient than traditional advertising because large platforms provide measurable ROI, performance marketing, targeting and global reach. If corporate confidence remains firm and retail/e-commerce activity holds, Alphabet and Meta can continue to capture ad dollars. However, if inflation pressures consumers and companies become more defensive on marketing budgets, lower-quality media and advertising assets will feel pressure first.

Inflation affects the sector through several channels. Higher gasoline and food prices can pressure consumer engagement and discretionary spending, which matters for advertising, streaming subscriptions, gaming and travel/media demand. Higher power, data-center equipment, memory and construction costs also raise the cost of AI infrastructure for Alphabet, Meta and other platform companies. For telecom, inflation raises labor, network, equipment and financing costs. Unlike Energy or Materials, Communication Services is not a direct beneficiary of commodity inflation; it must offset inflation through pricing, ad efficiency, scale and cost control.

Rates are also important. A higher-for-longer Fed backdrop reduces the appeal of long-duration growth stories and raises the cost of capital for telecom, cable and media companies. Telecom and cable are especially sensitive because they carry large capital-expenditure needs and meaningful leverage. Digital platforms are less exposed to refinancing risk, but their valuations can still compress if rates rise and AI capex creates uncertainty around future free cash flow.

Policy risk is the sector's biggest non-macro constraint. Alphabet faces antitrust scrutiny in the U.S. and Europe, including EU Digital Markets Act enforcement. Reuters reported that the EU is preparing a high triple-digit million euro fine related to concerns that Google favors its own services in search results, with the decision expected before the summer break. This kind of regulatory pressure can affect product design, ad economics, search distribution and investor multiples even when the underlying business remains strong.

Meta faces a different policy mix: youth safety, social-media harms litigation, privacy, platform liability, content moderation and global restrictions on access. Reuters reported that Meta warned legal and regulatory blowback in the EU and U.S. could significantly affect business and financial results, while also flagging additional youth-related trials. These risks are difficult to model, but they create a persistent multiple discount relative to a cleaner digital advertising story.

Telecom policy is also active. The FCC, spectrum policy, broadband subsidies, customer-data rules and network-security regulation all matter. The Supreme Court is expected to rule by the end of June in a case involving the FCC's ability to levy fines against wireless carriers, after the FCC had imposed location-data-related fines on major wireless providers. Separately, NTIA's BEAD program remains a major broadband infrastructure policy channel, with **\$42.45 billion** authorized to connect every American to high-speed internet.

Other Important Narratives:

The first and most important May narrative was the sector's very strong headline earnings growth — and the narrowness behind it. FactSet reported that Communication Services delivered the **second-highest year-over-year earnings growth** of all S&P 500 sectors in Q1 at **48.9%**, behind only Information Technology. The sector also had the second-highest revenue growth at **15.1%**, with all five industries posting year-over-year revenue growth. On the surface, that is a strong fundamental backdrop. But the details are more complicated: Alphabet and Meta were the largest contributors, and FactSet noted that excluding those two companies, Communication Services would have reported a **4.3% year-over-year earnings decline** rather than 48.9% earnings growth. That concentration is the central reason the sector is market weight rather than overweight.

The second narrative was margin strength. Communication Services posted the largest year-over-year

improvement in net profit margin among S&P 500 sectors, with Q1 margin rising to **20.7% from 16.0%** a year earlier. The sector's margin was also far above its five-year average of **12.6%**. That margin profile is impressive and reflects the operating leverage of search, social media, digital ads and scaled streaming platforms. The issue is sustainability: margins are strong today, but AI infrastructure, content, sports rights, network capex and regulatory compliance are all competing claims on free cash flow.

The third narrative was Alphabet's AI/cloud acceleration. Alphabet reported total Q1 revenue growth of **22% to \$109.9 billion**, above consensus, while Google Cloud revenue grew **63% to \$20 billion**, its best reported growth rate since the company began breaking out the segment in 2020. The company also raised its 2026 capex projection to **\$180 billion–\$190 billion**, reinforcing both sides of the sector debate: AI is clearly supporting revenue growth, but the cost of competing in AI is rising.

Meta created a similar but sharper version of the same debate. The company reported Q1 revenue of **\$56.3 billion**, up **33%** year over year, with advertising revenue also up **33%**. Free cash flow was still strong at **\$12.4 billion**. But Meta also raised its 2026 capex forecast to **\$125 billion–\$145 billion**, up from the prior **\$115 billion–\$135 billion** range, and shares fell after the report as investors questioned the pace of AI spending and the potential regulatory/legal overhang around youth-safety issues.

The fourth narrative was that investors are becoming more demanding about AI payback. In Technology, AI capex often shows up as revenue for semiconductors, equipment, networking and servers. In Communication Services, AI capex is often an expense or capital investment that must be monetized later through better ad targeting, higher engagement, new subscriptions, creator tools, search improvements, cloud services or productivity. That distinction is critical. Alphabet and Meta have the balance sheets to invest aggressively, but the market is increasingly asking whether incremental AI spending will generate returns above the cost of capital.

The fifth narrative was streaming normalization. Netflix beat first-quarter revenue and profit expectations, but its forward guidance was not strong enough to satisfy elevated expectations, and Reuters noted that investors were looking for a more visible acceleration into 2027. That speaks to a broader streaming theme: the worst of the profitability reset is likely behind the leaders, but the market is less willing to reward subscriber growth unless it comes with pricing power, advertising monetization, churn discipline and margin expansion.

Disney's May earnings added a more constructive media read-through. The company beat Q2 adjusted EPS and revenue expectations, entertainment operating income rose **6%** to **\$1.34 billion**, and streaming revenue benefited from higher subscription and advertising revenue. At the same time, sports operating income fell **5%** because of higher rights and production costs, highlighting the pressure traditional media and streaming companies face as sports content becomes more expensive.

The sixth narrative was telecom stabilization, but not telecom acceleration. AT&T added **294,000** net monthly bill-paying wireless phone subscribers in Q1, above expectations, helped by wireless/fiber bundling and convergence, while its advanced connectivity segment grew revenue by about **5%**. T-Mobile raised its annual postpaid account-addition forecast to **950,000–1.05 million**, and Comcast's broadband losses were less severe than expected, with the company losing **65,000** broadband customers versus an estimated **175,500** loss. These are constructive data points, but they do not change the sector's leadership hierarchy: telecom is a cash-flow and yield stabilizer, not the primary growth engine.

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 > 10% above 50-day m.a.

Oversold = Stock price > 10% below 50-day m.a.