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Monthly Insights: June Outlook

Materials Sector

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Sector Price Action & Performance Review: Materials



The S&P 500 Materials sector should be treated as a **modest overweight** into June. The sector is not a clean leadership group in the same way Technology and Industrials are, but it has the right characteristics for the current market regime: positive nominal growth, persistent inflation pressure, commodity scarcity, tariff support, infrastructure demand, copper/electrification optionality and gold/geopolitical hedging value.

Using VAW as the reference security, the near-term tape is not yet strong, but it is also not overextended. In the 5/28 return and flow data, VAW is down **3.15% over one month** and **5.29% over three months**, but remains up **17.97% over six months**. Its **49.5 RSI** is neutral, suggesting the sector has already corrected enough to reset momentum without breaking the longer-term trend. Flows are still soft, with roughly **-\$22 million of one-month outflows** and **-\$99 million of YTD outflows**, which tells us investors are not yet aggressively positioned for Materials leadership. That lack of sponsorship is a risk, but it also creates room for performance if macro and policy catalysts improve.

The Materials narrative in May was shaped by three forces: inflation, trade policy and commodity-market dislocation. The sector benefited conceptually from the same inflationary macro backdrop that supported Energy, but it did not perform as cleanly because higher input costs can be both a revenue tailwind and a margin headwind. Materials companies do best when they either own scarce commodities, operate in consolidated local markets, or have contractual/pricing power. They struggle when they are price-takers using expensive energy, freight, resins, labor and imported inputs.

The sector's investment case is selective rather than broad. The best opportunities are in **industrial gases, construction materials, copper, gold, specialty chemicals and select steel/metals exposure**. The weaker areas are commodity chemicals, packaging and housing-linked materials where input-cost pressure, weak volumes or rate-sensitive demand can offset inflation benefits

June Outlook

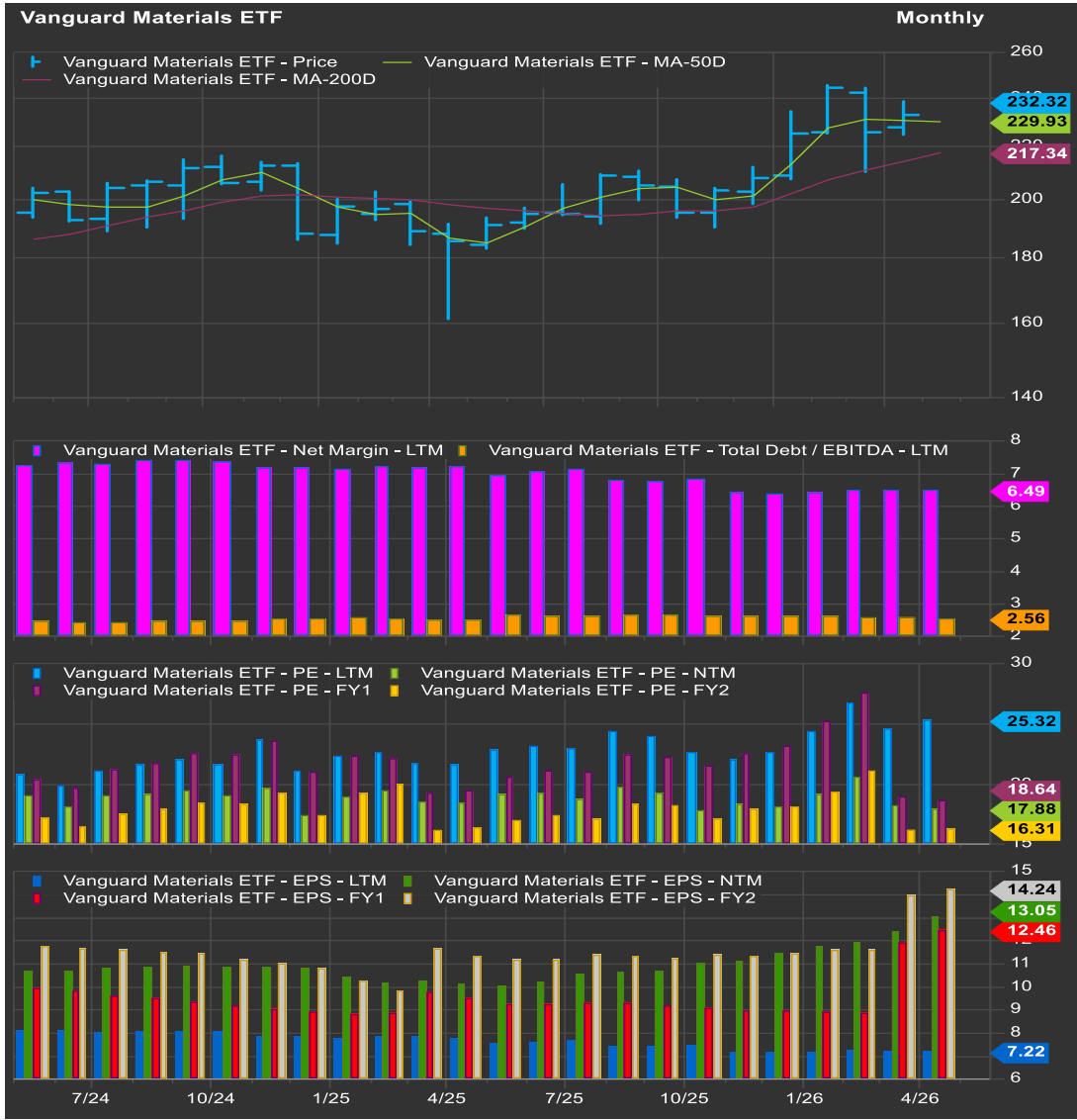
The June outlook for Materials is **modestly constructive**. The sector fits the inflationary bull-market framework, but it should not be sized like a high-conviction leadership sector. The strongest case is that elevated commodity prices, tariff support, AI infrastructure demand, manufacturing expansion and public/nonresidential construction provide enough catalysts to support relative performance.

Materials should outperform in June if inflation remains sticky but growth remains positive, if copper policy supports U.S. pricing, if manufacturing stays in expansion, if commodity prices remain firm and if investors broaden cyclical exposure beyond Energy and Industrials. The sector should underperform if tariffs reverse or create demand destruction, if the dollar strengthens materially, if housing deteriorates further, if China demand weakens, or if lower oil prices remove inflation hedge demand.

Bottom line: Materials deserve a **modest overweight** as part of an inflationary bull-market sector allocation. The sector is not yet showing strong enough momentum for an aggressive position, but its macro and policy exposures are becoming more valuable as inflation, tariffs, infrastructure, copper security and AI-driven physical investment remain central market themes

We start June with an overweight allocation of +1.98% in the Materials Sector in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

Fundamentals: Materials Sector



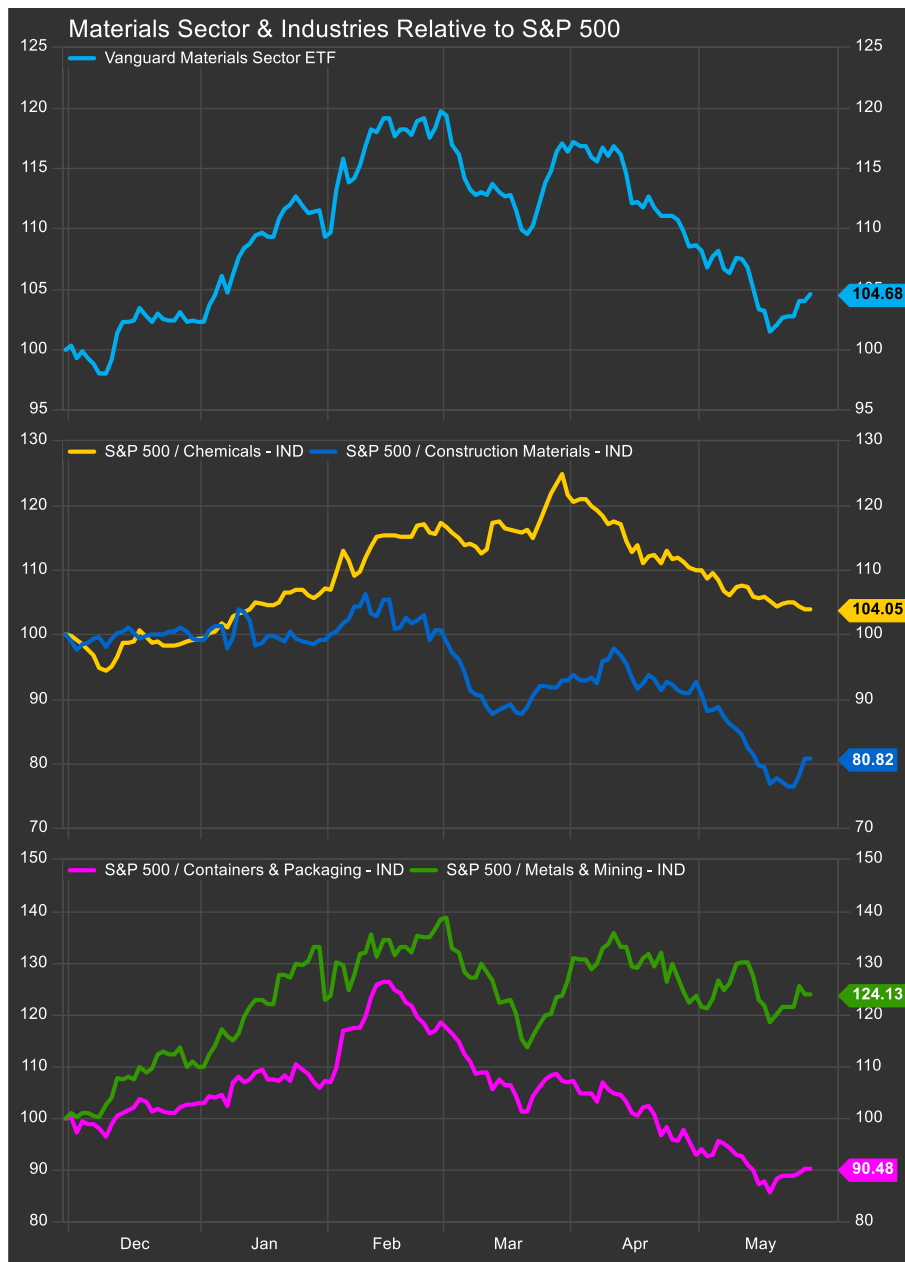
The sector's fundamental picture is better than recent price action suggests. FactSet reported that the S&P 500 Materials sector delivered the **third-largest year-over-year earnings growth** among the eleven sectors in Q1 at **42.5%**. The composition of that growth was uneven: Metals & Mining earnings grew **136%**, Chemicals grew **19%**, while Construction Materials fell **24%** and Containers & Packaging fell **1%**. FactSet also noted that excluding Metals & Mining would reduce Materials earnings growth to **14.6%** from **42.5%**, which shows that the sector's earnings momentum is heavily dependent on commodity-linked leadership rather than broad-based improvement.

VAW's composition reinforces the need for selectivity. Vanguard's Materials ETF has **112 stocks**, a **25.0x P/E**, **3.0x P/B**, **13.7% return on equity** and a **13.3% earnings-growth rate**. The largest holdings are Linde, Newmont, Freeport-McMoRan, Sherwin-Williams, CRH, Ecolab, Air Products, Corteva, Nucor and Vulcan Materials, with the top ten representing **55.3%** of assets. By subindustry, VAW is led by **Specialty Chemicals at 21.0%**, **Industrial Gases at 19.5%**, **Construction Materials at 12.0%**, **Gold at 10.7%**, **Packaging at 6.9%**, **Steel at 6.7%**, **Fertilizers & Agricultural Chemicals at 6.0%** and **Copper at 5.6%**.

That mix is attractive for an inflationary bull market because it is not simply a commodity beta product. Industrial gases provide contract-based resilience and exposure to manufacturing, hydrogen, decarbonization and electronics. Construction materials provide local oligopoly characteristics, infrastructure exposure and pricing power. Gold adds a hedge against geopolitical risk, real-rate volatility and central-bank demand. Copper adds electrification and AI-infrastructure optionality. Specialty chemicals provide higher-value-added industrial exposure. The tradeoff is that some areas — packaging, commodity chemicals and housing-linked materials — remain vulnerable to weak volumes and input-cost pressure.

Ticker	Price	1D	1W	1M	3M	6M	RSI	1M Flow	YTD Flow	1Y Flow
VAW	\$227.78	+0.52%	+0.55%	-3.15%	-5.29%	+17.97%	49.5	-\$22.1M	-\$99.4M	\$15.2M

Industry/Sub-Industry Performance and Breadth: Materials



5/28/2026

Industry	Approx. Fund Weight	Fundamental Read	Macro / Policy Sensitivity
Specialty Chemicals	21.0%	Higher-quality chemicals; pricing and volume recovery matter.	Industrial production, feedstocks, tariffs, environmental rules.
Industrial Gases	19.5%	Defensive growth, contracts and pricing power.	Manufacturing, energy costs, hydrogen, carbon capture, capex.
Construction Materials	12.0%	Infrastructure and local supply constraints support pricing.	Infrastructure funding, housing, permitting, energy, freight.
Gold	10.7%	Hedge against inflation, real-rate volatility and geopolitics.	Real yields, dollar, central-bank demand, risk aversion.
Paper & Plastic Packaging	6.9%	Goods volumes and input costs drive margins.	Consumer goods, resin, freight, recycling, tariffs.
Steel	6.7%	Tariffs support pricing, but demand remains cyclical.	Tariffs, autos, construction, scrap, imports, energy.
Fertilizers & Agricultural Chemicals	6.0%	Ag input cycle stabilizing.	Crop prices, natural gas, sanctions, weather, trade.
Copper	5.6%	Structural electrification and grid demand support long-term thesis.	China, manufacturing, mine supply, dollar, energy transition.
Commodity Chemicals	4.6%	Most cyclical chemicals exposure.	Feedstocks, China capacity, global demand, tariffs.
Containers / Aluminum / Other	7.0%	Mixed exposure to packaging and industrial metals.	Goods demand, energy, tariffs, freight, recycling.

Top 10/Bottom 10 Stock Level Performers: Materials

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
STLD	Steel Dynamics, Inc.	Materials	Uptrend	37,238.6	0.76	24.1	0.59	1.48	9.8
NUE	Nucor Corporation	Materials	Bullish Reversal	56,131.3	0.77	27.0	0.65	1.97	9.7
IFF	International Flavors & Fragrances Inc.	Materials	Consolidation	19,658.4	0.79	-6.5	1.51	0.59	3.5
FCX	Freeport-McMoRan, Inc.	Materials	Bullish Reversal	91,471.9	0.98	0.2	0.67	0.89	0.1
MOS	Mosaic Company	Materials	Downtrend	7,539.3	0.93	-14.1	2.66	0.64	-1.8
PPG	PPG Industries, Inc.	Materials	Consolidation	25,161.0	0.65	-8.6	1.83	0.96	-1.9
PKG	Packaging Corporation of America	Materials	Consolidation	19,422.6	0.93	-8.8	1.71	0.80	-2.4
DD	DuPont de Nemours, Inc.	Materials	Bullish Reversal	19,536.9	0.91	-5.3	1.55	0.73	-2.5
AMCR	Amcor PLC	Materials	Retracement	18,341.3	0.44	-18.1	4.73	0.65	-3.4
SW	Smurfit Westrock PLC	Materials	Consolidation	20,915.6	0.71	-12.6	3.27	1.10	-4.1
IP	International Paper Company	Materials	Retracement	17,166.9	0.80	-23.6	4.10	0.74	-4.2
CTVA	Corteva Inc	Materials	Consolidation	53,432.0	0.97	-4.3	0.67	0.42	-4.4
LIN	Linde plc	Materials	Bullish Reversal	234,940.4	1.30	-3.5	0.93	0.50	-5.5
ECL	Ecolab Inc.	Materials	Consolidation	73,899.9	1.41	-17.2	0.81	0.91	-6.9
AVY	Avery Dennison Corporation	Materials	Retracement	12,278.2	0.73	-19.4	1.76	0.71	-7.6
LYB	LyondellBasell Industries NV	Materials	Bullish Reversal	21,842.8	0.37	8.7	3.21	-0.16	-9.7
VMC	Vulcan Materials Company	Materials	Consolidation	35,766.9	1.32	-16.7	0.54	1.10	-10.1
APD	Air Products and Chemicals, Inc.	Materials	Consolidation	63,626.6	0.97	-5.7	1.84	0.54	-10.4
CF	CF Industries Holdings, Inc.	Materials	Bullish Reversal	17,873.2	0.39	8.5	1.26	0.15	-10.5
MLM	Martin Marietta Materials, Inc.	Materials	Consolidation	34,489.8	1.32	-19.2	0.43	0.99	-10.7
NEM	Newmont Corporation	Materials	Uptrend	114,473.7	0.47	-15.5	0.69	0.34	-12.3
BALL	Ball Corporation	Materials	Consolidation	15,045.6	0.64	-15.6	1.04	0.98	-12.4
SHW	Sherwin-Williams Company	Materials	Retracement	76,449.6	1.19	-19.7	0.70	1.30	-12.5
CRH	CRH public limited company	Materials	Consolidation	70,996.3	0.80	-18.6	1.06	1.54	-13.5
DOW	Dow, Inc.	Materials	Consolidation	24,858.4	0.57	4.4	2.90	-0.05	-14.4
ALB	Albemarle Corporation	Materials	Uptrend	20,929.9	0.71	-3.9	0.66	1.34	-16.0

Base metal exposures led the sector in May while chemicals, packaging and construction materials names saw sharp correction as investors continued their pivot from Value to Growth exposures

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

Economic & Policy Drivers: Materials Sector

The macro environment is supportive for Materials, but uneven. The sector benefits most when nominal growth remains positive, commodity prices are firm, manufacturing activity is expanding and inflation supports pricing power. That is broadly the current environment. Q1 GDP slowed to **1.6% annualized**, but real final sales to private domestic purchasers rose **2.4%**, suggesting that domestic demand is not collapsing. At the same time, inflation remains high enough to support nominal revenue and pricing leverage in scarce or consolidated materials markets.

The key macro distinction is that Materials benefit from **nominal activity**, not necessarily strong real activity. A company selling aggregates, industrial gases, copper, steel or chemicals can grow revenue from price, mix and contract escalators even if real volumes are only modest. That is why Materials can work in an inflationary bull market. However, if inflation becomes severe enough to damage end demand or force tighter Fed policy, the sector's cyclicality becomes a liability.

Manufacturing is the most direct macro driver. ISM manufacturing remains expansionary, and Reuters reported that although core capital goods orders fell **1.1%** in April after prior strength, business investment is still being supported by AI-related spending. Importantly for Materials, Reuters noted increases in orders for **electrical equipment, appliances and components, machinery, primary metals and fabricated metal products**. Those categories are directly tied to demand for copper, steel, aluminum, industrial gases, coatings, chemicals and construction materials.

AI infrastructure is an increasingly important second-order demand driver. Materials do not get the same market attention as semiconductors or electrical equipment, but data centers require concrete, steel, copper, specialty chemicals, water-treatment inputs, cooling systems, coatings, industrial gases, backup power infrastructure and grid materials. That makes Materials a less obvious but still relevant beneficiary of the AI capital-spending cycle. The strongest linkages are in copper, construction materials, industrial gases, specialty chemicals and water-treatment businesses.

Housing and construction are more mixed. Census data showed April housing starts at a **1.465 million** annualized rate, down **2.8%** from March, while single-family starts fell **9.0%** month over month. Building permits rose **5.8%** overall, but single-family authorizations fell **2.6%**. Reuters also reported that new single-family home sales fell **6.2%** in April to a **622,000** annualized pace and were down **11.3%** year over year, with elevated mortgage rates and rising inventories constraining builders.

This matters because construction materials are bifurcated. Public infrastructure, data centers, reshoring and nonresidential projects are supportive. Traditional residential exposure is weaker because high mortgage rates, affordability pressure and elevated new-home inventory reduce housing turnover and building momentum. The June allocation should therefore favor construction materials tied to infrastructure, aggregates, cement, data centers and public works rather than purely housing-driven materials.

Policy is unusually central to the Materials sector. Tariffs are the clearest policy driver. They can support domestic steel, aluminum and copper pricing, improve utilization for U.S. producers, and encourage reshoring or inventory accumulation. But tariffs also raise input costs for manufacturers, builders, packaging companies and consumer-product suppliers. The same policy can be bullish for upstream metals and bearish for downstream users. That is why a sector-level Materials overweight should be modest and selective rather than aggressive.

Copper policy is the most important June-specific catalyst. A late-June decision on refined copper tariffs could materially affect U.S. copper premia, inventories and the relative economics of domestic versus imported supply. Reuters' reporting shows that traders have already moved substantial volumes of copper to the U.S. ahead of the decision, including large LME inventory cancellations in New Orleans. That means policy risk is already affecting physical flows, not just futures prices.

Fertilizer policy is another live issue. Higher fertilizer prices support producer revenue, but the FTC investigation and USDA focus on affordable domestic production introduce regulatory risk. Fertilizer producers may therefore be treated less like pure commodity beneficiaries and more like politically sensitive input providers. If prices remain elevated into planting season, policy scrutiny could intensify.

Environmental and permitting policy also matter. Mining, chemicals, industrial gases and construction materials are all exposed to permitting timelines, emissions rules, water regulation, hazardous-waste standards and local land-use restrictions. Long permitting cycles can support pricing by limiting supply growth, but they can also cap volume growth and increase compliance costs. For copper and critical minerals, the U.S. strategic objective is to improve domestic supply security, but the practical constraint is that new mines, smelters and processing capacity take years to permit and build.

The dollar and rates are the final macro-policy variables. A stronger dollar generally pressures globally priced commodities and hurts multinational revenue translation. Higher real rates can pressure gold and long-duration capex demand. However, if inflation is high because of commodity scarcity rather than overheating demand, Materials can still outperform defensives because the sector owns the assets or products whose prices are rising.

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

- **Reuters: U.S. steel, aluminum and copper derivative tariff changes** — tariff-policy backdrop for metals, construction materials and downstream cost pressure.
- **Reuters: Copper tariff uncertainty / U.S. copper inventory and import dynamics** — copper-policy catalyst and tariff-risk framing.
- **Reuters: FTC probes rising fertilizer prices** — fertilizer, agricultural input and policy-scrutiny narrative.
- **ISM Manufacturing PMI, April 2026** — input-cost pressure, manufacturing expansion and raw-material inflation.
- **BLS CPI, April 2026** — commodity-linked inflation backdrop for energy, freight and input costs.

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.