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Monthly Insights: June Outlook

# Consumer Staples Sector

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# Sector Price Action & Performance Review: Consumer Staples Sector



The S&P 500 Consumer Staples sector has one of the more complicated June setups in the large-cap sector framework. The group provides defensive earnings, recurring demand, pricing power in select categories and a natural role as portfolio ballast. However, the current market environment is not primarily rewarding defensive beta. Investor risk appetite remains strong, leadership is concentrated in AI, Technology, Industrials and cyclical inflation beneficiaries, and high commodity prices are creating direct margin pressure for many Staples companies. That makes the sector **selective neutral**, rather than a broad overweight.

Technically, Consumer Staples are in a neutral holding pattern. VDC's **49.7 RSI** is almost exactly neutral. The ETF's **+1.51% one-month return** shows some defensive demand, but the **-3.04% three-month return** shows that the sector has not kept pace with the broader market's risk-on leadership. The **+9.57% six-month return** confirms that the group is not impaired, but it is not showing a strong enough trend to warrant a broad overweight.

The flow data are consistent with that read. One-month outflows suggest investors are reducing defensive exposure as the market rallies, while positive YTD and one-year flows suggest Staples still retain a role as portfolio ballast. This is a sector investors want to own for balance, not necessarily to chase for upside.

A positive technical shift would require VDC to outperform during a period of market consolidation while flows stabilize. A negative shift would be continued relative underperformance despite rising consumer stress, which would imply that inflation and margin pressure are overwhelming the defensive demand case.

The conclusion is that Staples are unlikely to outperform unless equities correct at the index level. The best exposures are scale food and essentials retailers, warehouse clubs, beverage companies with brand power, household products companies with cost offsets, and selected tobacco/nicotine cash-flow franchises. The weaker exposures are packaged food and personal care companies facing private-label pressure, low-margin food distribution, and branded categories that have exhausted post-pandemic pricing power.

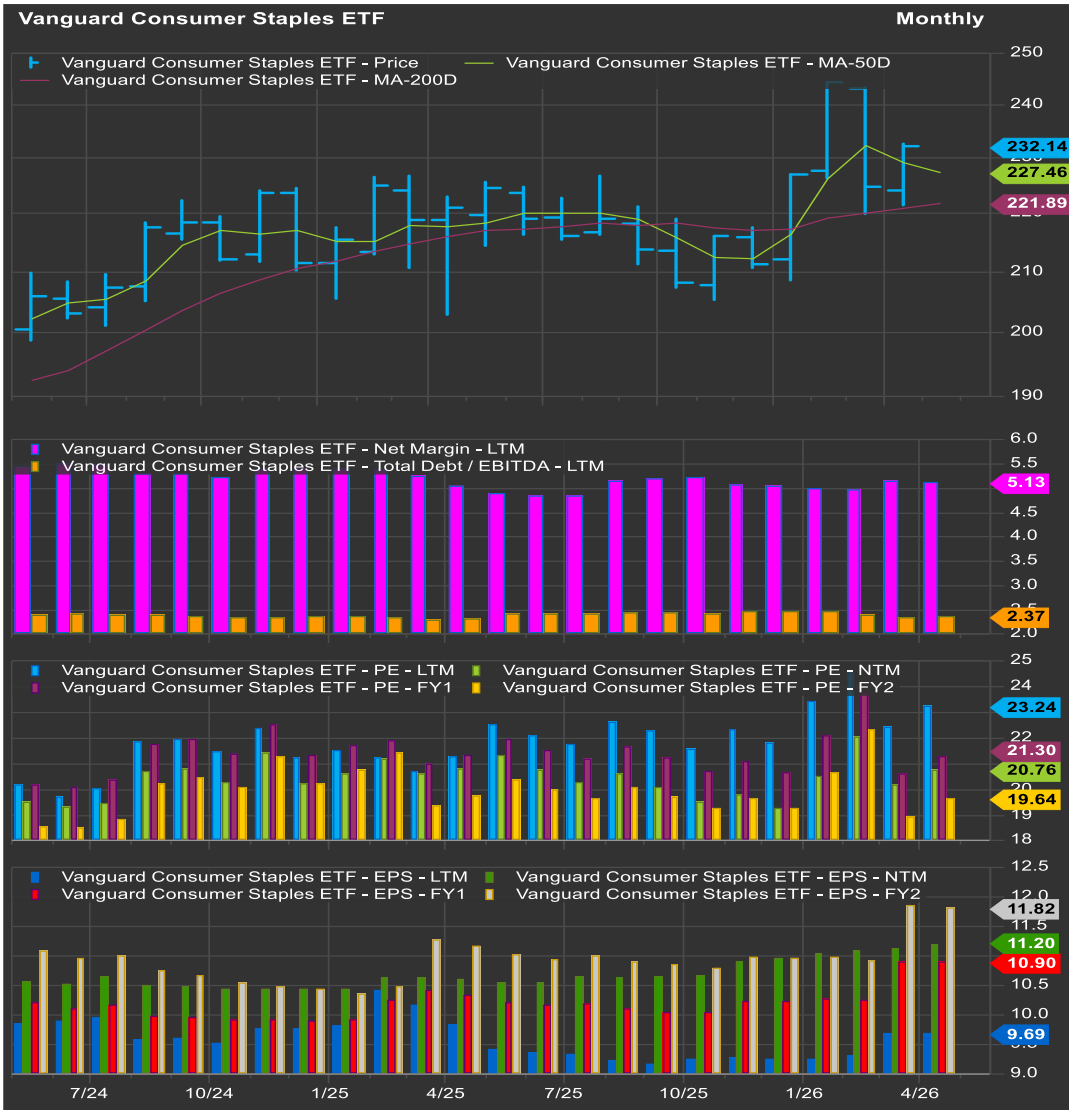
The best case for Staples is a choppy June market in which inflation remains elevated, consumers continue to trade down, and investors seek lower-beta cash-flow durability. In that environment, Walmart, Costco, select beverages, household products and cash-return tobacco names can hold up well. The sector would also benefit if oil prices ease enough to relieve freight and household pressure without damaging the defensive trade-down narrative.

The downside case is that risk appetite stays strong while commodity costs remain elevated. That is the most difficult combination for Staples: investors do not need defensives, but companies still face input-cost and margin pressure. A further increase in oil, packaging, labor or agricultural costs would intensify this problem, especially for packaged food, household products and lower-margin distributors.

Bottom line: Consumer Staples remain useful, but the sector's outlook is complicated. It has defensive value, but high commodity prices are pressuring margins and strong investor risk appetite is reducing demand for traditional defensives. The sector belongs in the portfolio, but June positioning should be selective rather than aggressive.

**We start June out of the Consumer Staples Sector with an **underweight allocation of -4.65%** in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

# Fundamentals: Consumer Staples Sector



Fundamentally, Staples are high quality but not high growth. Vanguard’s VDC profile shows **104 holdings**, a **25.7x P/E**, **4.4x P/B**, **28.0% return on equity** and a **7.9% earnings-growth rate**. The sector therefore offers strong profitability but limited earnings acceleration. That distinction matters in June because the market is paying for growth, estimate revisions and capex leverage more than it is paying for stability.

VDC is also highly concentrated. The top ten holdings represent **64.9%** of assets, led by Walmart, Costco, Procter & Gamble, Coca-Cola, PepsiCo, Philip Morris, Altria, Mondelez, Colgate-Palmolive and Target. The industry composition is equally concentrated: Consumer Staples Merchandise Retail is **32.7%**, Soft Drinks & Non-Alcoholic Beverages are **17.4%**, Household Products are **15.1%**, Packaged Foods & Meats are **10.8%**, and Tobacco is **8.3%**.

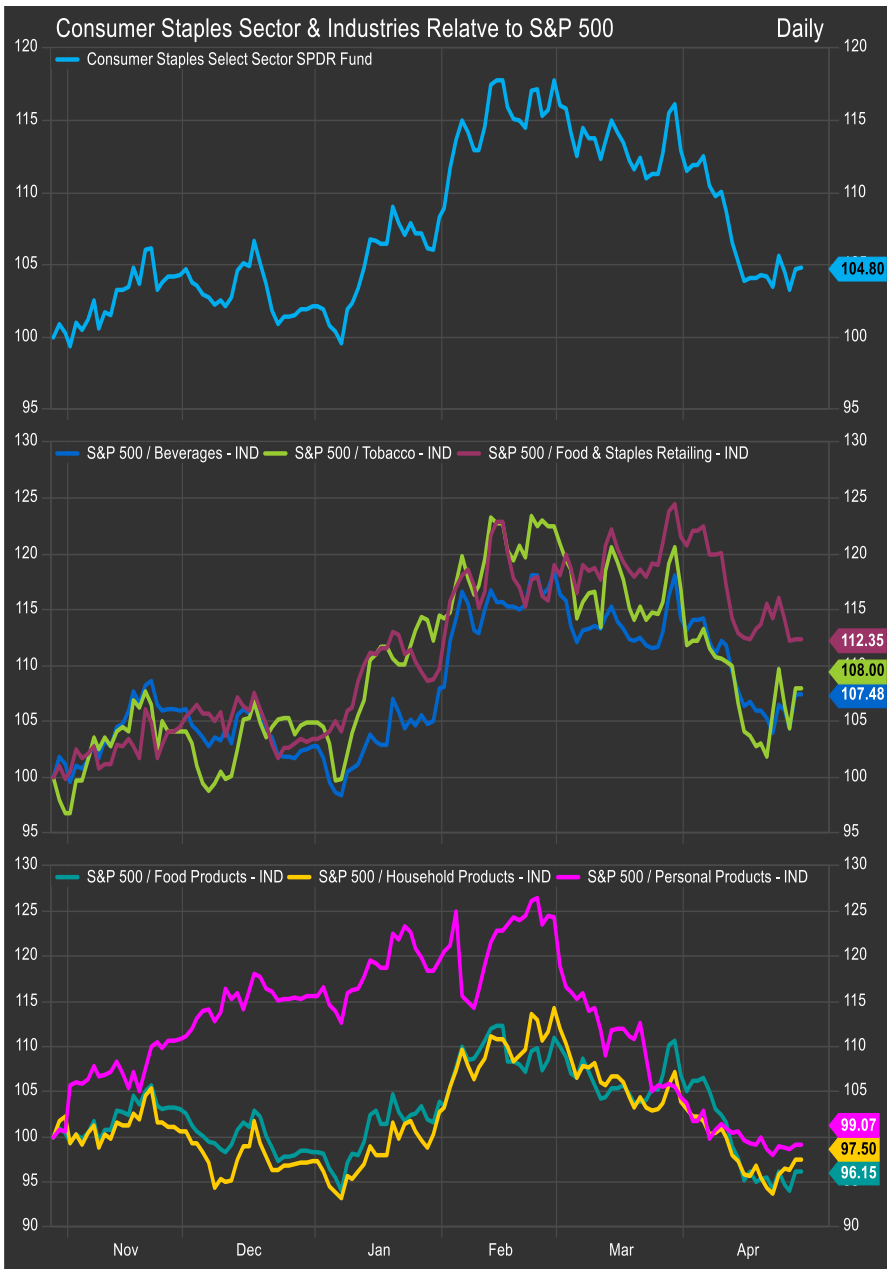
That mix explains the sector’s dispersion. Staples merchandise retail is the strongest internal sleeve because Walmart and Costco can benefit from trade-down, grocery traffic, scale purchasing, membership economics and e-commerce growth. Beverages remain comparatively attractive because global brands, route-to-market strength and pricing power can protect margins. Household products are defensive but vulnerable to pulp, resin, freight and tariff pressure. Packaged foods face the toughest trade-off: demand is stable, but volumes, private-label competition and pricing fatigue are real. Tobacco offers strong cash generation and pricing power, but regulation and volume decline remain structural issues.

FactSet’s Q1 data reinforce the “defensive, but not leadership” argument. Consumer Staples earnings growth was **6.7%**, below the S&P 500’s **28.4%** growth rate, while revenue growth was **7.8%**, also below the index’s **11.6%**. Net profit margin for Staples was **6.1%**, slightly below the year-ago margin of **6.2%**, showing that cost pressures are still limiting operating leverage.

The market’s view of the sector is also restrained. FactSet showed that Consumer Staples had the smallest expected 12-month upside among S&P 500 sectors at **+8.3%**, and the lowest percentage of Buy ratings at **43%**. That is not a reason to ignore the sector, but it confirms that analysts and investors do not see Staples as a primary earnings-revision engine.

Ticker	Price	1D	1W	1M	3M	6M	RSI	1M Flow	YTD Flow	1Y Flow
VDC	\$229.69	-0.04%	-1.95%	+1.51%	-3.04%	+9.57%	49.7	-\$115.7M	\$91.2M	\$98.6M

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



Industry	Approx. Fund Weight	Fundamental Read	Macro / Policy Sensitivity
Consumer Staples Merchandise Retail	32.7%	Scale retailers benefit from trade-down, but mix and wages cap margins.	Food inflation, gasoline, wages, SNAP, private label, tariffs.
Soft Drinks & Non-Alcoholic Beverages	17.4%	Strong brands and global pricing power.	Sugar regulation, packaging, FX, input costs, health trends.
Household Products	15.1%	Defensive demand, but growth is modest.	Pulp, resin, freight, tariffs, pricing scrutiny.
Packaged Foods & Meats	10.8%	Volume pressure and private-label competition offset defensive demand.	Food commodities, labor, freight, tariffs.
Tobacco	8.3%	High cash returns, but secular volume decline persists.	Nicotine regulation, excise taxes, litigation.
Food Retail	4.2%	Defensive traffic; margins depend on shrink and wages.	Food inflation, labor, SNAP, competition.
Food Distributors	3.4%	Stable but low-margin.	Restaurant volumes, fuel, freight, working capital.
Agricultural Products & Services	3.2%	Crop-cycle and input-demand exposure.	Weather, crop prices, trade, fertilizer costs.
Personal Care Products	3.1%	Brand strength, but trade-down pressure is rising.	Tariffs, packaging, FX, beauty demand.
Alcohol / Brewers / Other	1.8%	Mature demand; category growth varies.	Excise taxes, regulation, health trends, packaging.

5/28/2026

# Top 10/Bottom 10 Stock Level Performers: Consumer Staples Sector

Symbol	Name	GICS Sector Name	CHART_PATTERN	MktVal Co	Valuation Multiple Rel to Index	Momentum Score	Div Yld Multiple rel to Index	3y BETA Rel to Loc Idx	1-Month Excess Return vs. BMK
EL	Estee Lauder Companies Inc. Class A	Consumer Staples	Consolidation	22,552.6	1.39	-11.9	1.13	1.74	13.0
MNST	Monster Beverage Corporation	Consumer Staples	Bullish Reversal	87,277.4	1.76	2.4	0.00	0.54	11.2
ADM	Archer-Daniels-Midland Company	Consumer Staples	Bullish Reversal	38,339.6	0.77	10.2	1.86	0.59	8.6
PM	Philip Morris International Inc.	Consumer Staples	Consolidation	283,720.0	0.99	-1.7	2.42	0.26	8.2
KHC	Kraft Heinz Company	Consumer Staples	Downtrend	28,909.3	0.56	-5.1	4.73	0.08	6.3
MO	Altria Group, Inc.	Consumer Staples	Bullish Reversal	120,415.9	0.59	2.8	4.35	0.36	4.3
SJM	J.M. Smucker Company	Consumer Staples	Downtrend	10,982.6	0.49	-10.5	3.01	0.45	4.3
CL	Colgate-Palmolive Company	Consumer Staples	Consolidation	73,049.3	1.11	-6.5	1.66	0.33	3.5
MDLZ	Mondelez International, Inc. Class A	Consumer Staples	Consolidation	79,907.2	0.93	-2.9	2.40	0.19	3.5
KO	Coca-Cola Company	Consumer Staples	Bullish Reversal	351,168.6	1.15	-3.0	1.94	0.26	3.2

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
DG	Dollar General Corporation	Consumer Staples	Downtrend	22,976.2	0.66	-28.9	1.53	0.45	-16.0
WMT	Walmart Inc.	Consumer Staples	Uptrend	944,881.2	1.86	-12.2	0.61	0.53	-11.9
STZ	Constellation Brands, Inc. Class A	Consumer Staples	Downtrend	24,744.6	0.57	-13.1	2.14	0.32	-11.6
BFB	Brown-Forman Corporation Class B	Consumer Staples	Downtrend	12,030.2	0.73	-16.5	2.57	0.33	-10.9
MKC	McCormick & Company, Incorporated	Consumer Staples	Downtrend	12,777.6	0.70	-32.1	2.92	0.68	-10.6
PEP	PepsiCo, Inc.	Consumer Staples	Downtrend	201,926.4	0.79	-15.5	2.91	0.36	-9.1
CAG	Conagra Brands, Inc.	Consumer Staples	Downtrend	6,377.6	0.38	-28.4	7.52	-0.01	-8.2
GIS	General Mills, Inc.	Consumer Staples	Downtrend	17,958.4	0.49	-26.9	5.20	0.15	-8.0
CASY	Casey's General Stores, Inc.	Consumer Staples	Uptrend	28,989.9	1.82	5.5	0.21	0.32	-7.4
HRL	Hormel Foods Corporation	Consumer Staples	Downtrend	11,534.0	0.66	-19.2	3.58	0.17	-7.3

Food and Beverage names rallied from oversold positions to start the month with MO, KO and ADM the most promising long-term setups.

Staples Retailing suffered through a disappointing earnings season, but remains the strongest longer-term exposure in the sector

## Metrics:

(Formulas are in the appendix at the end of the report)

### Valuation Multiple Relative to Index

Premium (or discount) to benchmark valuation

### Momentum

Long higher scores, short lower scores

### Dividend Yield Relative to Index

Higher scores preferred when rates and equities are moving lower

### Near-term Overbought/Oversold

Price is >10% away from the 50-day moving average Above/Below

GREEN|RED

Company scores **positively**|**negatively** for Elev8 Sector Rotation Model for April

The macro environment is difficult for Staples because it contains both supportive and negative elements. On the supportive side, Staples demand is durable. Consumers still buy groceries, beverages, household products, personal care and tobacco even when confidence weakens. Trade-down can benefit the largest retailers, private-label platforms and value-oriented formats. On the negative side, the current inflationary environment is not a clean positive for the sector. When inflation is driven by energy, agricultural inputs, freight and packaging, Staples companies absorb direct cost pressure even as consumers become less willing to accept additional price increases.

Food inflation is particularly important. BLS reported that food at home rose **0.7% month over month** in April, with meats, fruits and vegetables, dairy and nonalcoholic beverages all rising. Food at home was up **2.9% year over year**, and nonalcoholic beverages rose **5.1%** over the year. That helps nominal sales for food retailers and beverage companies, but it also increases affordability pressure and encourages trade-down into private label and value formats.

Energy is the second major macro driver. Gasoline prices up **28.4%** year over year hurt Staples in two ways. First, they reduce discretionary household cash flow and increase consumer focus on value. Second, they raise transportation, logistics and distribution costs for companies with large physical supply chains. Staples retailers can partly offset this through traffic gains and scale, especially warehouse clubs that sell fuel, but branded manufacturers and distributors are more exposed to freight and input costs.

Rates and risk appetite are the third macro issue. Staples often outperform when growth slows, volatility rises and rates fall. June is not clearly that environment. The S&P 500 has been making record highs, AI-led risk appetite remains strong, and investors are actively allocating to higher-growth sectors. In that context, Staples' defensive profile is less scarce. The sector can protect portfolios if volatility rises, but it is unlikely to lead while investors are willing to pay for Technology, Industrials and inflation-sensitive cyclicals.

Policy risk is broad. Tariffs affect packaging, ingredients, imported food, household products and consumer goods. Reuters reported earlier this year that P&G raised some U.S. prices by **2% to 2.5%** to offset tariffs and weak sales, while McCormick continued to face tariff-related inflation pressure and margin compression. SNAP and food-access policy affects grocers, dollar stores and smaller food retailers. Tobacco and nicotine regulation affects the high-cash-flow tobacco sleeve. Food labeling, nutrition policy, sugar taxes, recycling rules, packaging regulation and labor policy can also affect the sector's margin structure.

## Other Important Narratives:

The first major Staples narrative in May was the deterioration in household purchasing power. The sector benefits from nondiscretionary demand, but it is not immune to consumer stress. BEA reported that April personal consumption expenditures rose **0.5%**, but real PCE rose only **0.1%**; real disposable personal income fell **0.5%**, and the personal saving rate dropped to **2.6%**. That is a classic Staples cross-current: consumers still need food, beverages, household products and basic goods, but they become more value-focused, more promotional and more willing to trade down when real income weakens.

The second narrative was commodity-led inflation. April CPI rose **3.8% year over year**, while food increased **3.2%**, food at home rose **2.9%**, energy rose **17.9%**, gasoline rose **28.4%**, and

electricity rose **6.1%**. Within grocery, BLS reported monthly increases in meats, fruits and vegetables, dairy, and nonalcoholic beverages. This supports nominal sales, but it also raises cost pressure across the Staples value chain: freight, packaging, resin, agricultural inputs, energy, labor and store operating costs all remain problematic.

The third narrative was the resilience of scale retailers. Census retail data showed April retail and food-services sales up **0.5% month over month** and **4.9% year over year**, while retail trade sales rose **5.2% year over year**. These figures are not adjusted for price changes, so they do not necessarily prove real volume strength, but they do confirm that nominal consumer activity remains positive. For Staples, the bigger point is that spending is shifting toward value, essentials and convenience. Walmart kept conservative annual targets despite solid results, but Reuters noted that U.S. comparable sales rose **4.1%** and U.S. e-commerce sales rose **26%**, helped by consumers turning to low-priced groceries and essentials as fuel costs increased.

Costco reinforced the same value narrative. Reuters reported that Costco beat quarterly sales expectations, with revenue of **\$70.53 billion**, net income up **15%** to **\$2.19 billion**, and U.S. comparable sales excluding fuel up **6.8%**, above expectations. The important read-through is not just that Costco is executing well; it is that consumers are actively seeking value in essentials, bulk purchasing and membership models as food and fuel inflation remain elevated.

The fourth narrative was margin pressure in branded consumer products. The post-pandemic pricing cycle is mature. Branded Staples companies were able to offset cost inflation for several years through price increases, but consumers are increasingly resisting additional pricing, private label is gaining relevance, and retailers are pushing back on supplier increases. Reuters reported that Procter & Gamble expected fiscal 2026 EPS to be near the lower end of its flat-to-4% growth range, with high oil prices and input costs weighing on the outlook.

The fifth narrative was policy and regulation. SNAP eligibility and stocking standards became more relevant for food retailers. USDA issued updated rules requiring SNAP-authorized retailers to carry more varieties across staple food categories — protein, grains, dairy, fruits and vegetables — with the explicit goal of increasing access to healthier foods. This is not a major immediate earnings shock for large retailers, but it reinforces the policy focus on food access, affordability and nutritional standards. Tobacco and nicotine policy also remained highly relevant: Reuters reported that a shift in FDA enforcement discretion could benefit tobacco and nicotine companies by allowing certain unauthorized vaping and nicotine-pouch products to remain on the market under specific application conditions, though public-health criticism remains significant.

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

- **BLS CPI, April 2026** — food, food-at-home, energy, gasoline and electricity inflation.
- **BEA Personal Income and Outlays, April 2026** — real-income pressure, savings rate and consumer-spending quality.
- **Reuters: Walmart results and frugal consumer behavior** — trade-down, grocery/essentials traffic and value retail.
- **Reuters: Costco sales and gas-station/value behavior** — warehouse-club demand, membership/value retail and fuel-sensitive consumer behavior.
- **USDA SNAP authorized retailer rule update** — food-access and staple-food policy backdrop.
- **Reuters: P&G higher oil/input-cost pressure** — branded household-product margin pressure from commodities.
- **Reuters: FDA shake-up and tobacco/nicotine policy** — regulatory backdrop for tobacco/nicotine holdings.

# 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.