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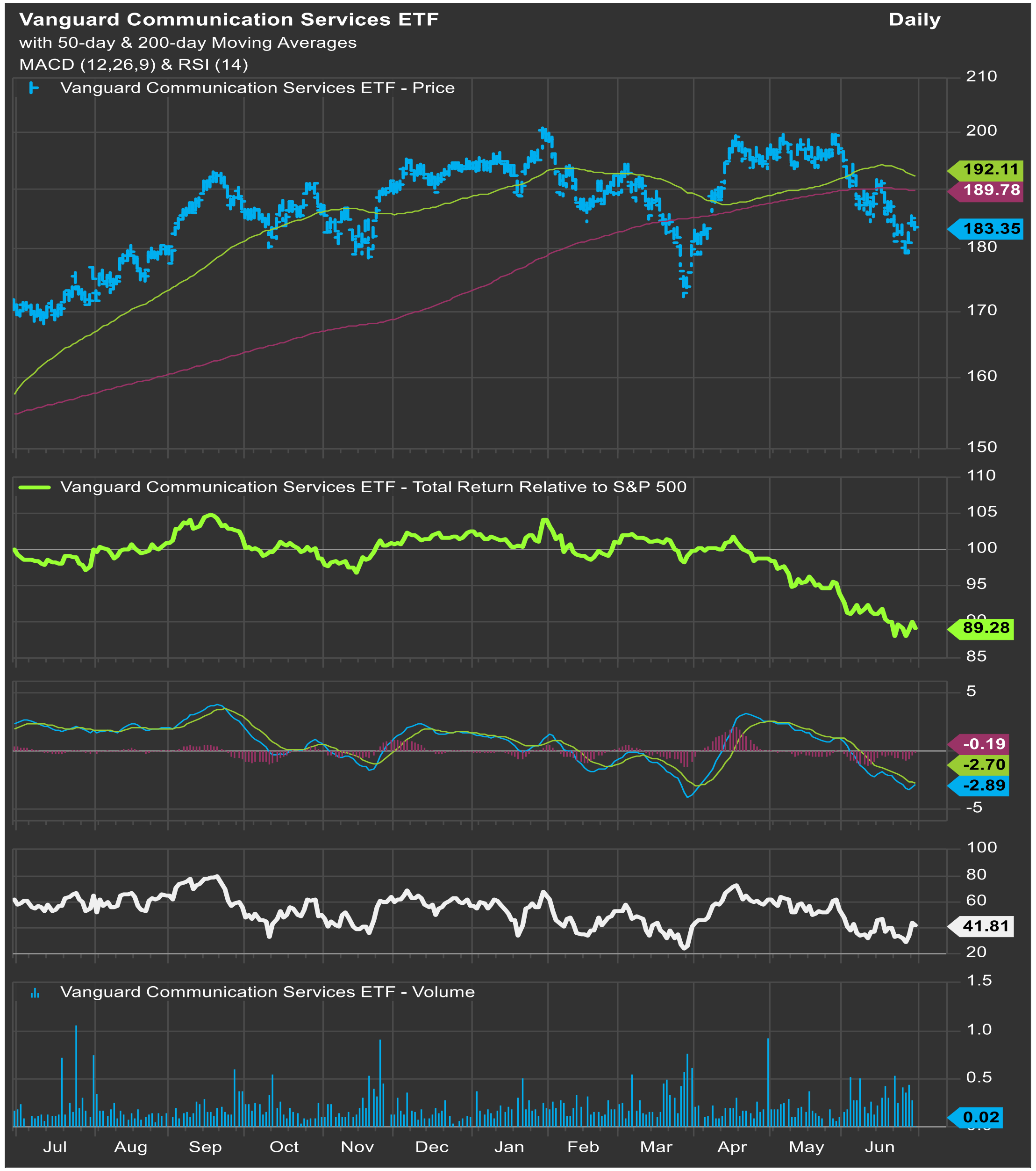
Monthly Insights: July Outlook
Communication Services Sector

Patrick Torbert, CMT
Editor & Chief Strategist

Sector Price Action & Performance Review: Communication Services Sector



6/30/2026

Communication Services enters July as the weakest Vanguard sector ETF in the model. VOX fell **9.1%** over the past month versus a **2.9%** decline for the S&P 500 proxy, and the sector's **34.7 RSI** shows persistent selling pressure. The model's negative score is being confirmed by the stock table: the largest stocks in the sector — Alphabet, Meta and Netflix — were all negative on 1-month excess return, while legacy media and telecom also struggled.

The only constructive industry-level price action came from **Entertainment** on an equal-weight basis. Take-Two, TKO, Live Nation and Electronic Arts were the strongest names. But that strength was not enough to offset Netflix's weakness because Netflix dominates the industry's market-cap-weighted return. The industry's average 1-month excess return was **+3.6%**, but its market-cap-weighted return was **-3.7%**.

The weakest industries were **Interactive Media & Services** and **Media**. Alphabet and Meta both fell more than **10%** on 1-month excess return, while EchoStar, Fox, Trade Desk, Paramount Skydance and Charter were all weak. The common pressure points are AI capex, platform regulation, ad-market disruption, media consolidation risk and weak traditional distribution economics.

July Outlook

The July outlook for Communication Services is **cautious and selective**. The model ranks the sector last, VOX has the weakest one-month sector performance, and the stock table shows broad weakness across Interactive Media, Media, telecom and streaming. The sector has strong revenue-growth expectations, but investors are not rewarding revenue alone.

The best July opportunities are in **gaming, live events and select sports/entertainment assets**. Take-Two has the clearest catalyst through GTA VI. Live Nation has strong demand but regulatory risk. TKO has sports-rights and live-event scarcity value. These names provide better industry-specific exposure than broad VOX.

The weakest July setup is in **Media and Interactive Media & Services**. Alphabet and Meta remain high-quality franchises, but AI spending, search regulation, youth/social-media legal risk and rising real rates keep pressure on multiples. Media remains structurally challenged by cord-cutting, streaming economics, advertising disruption and M&A uncertainty.

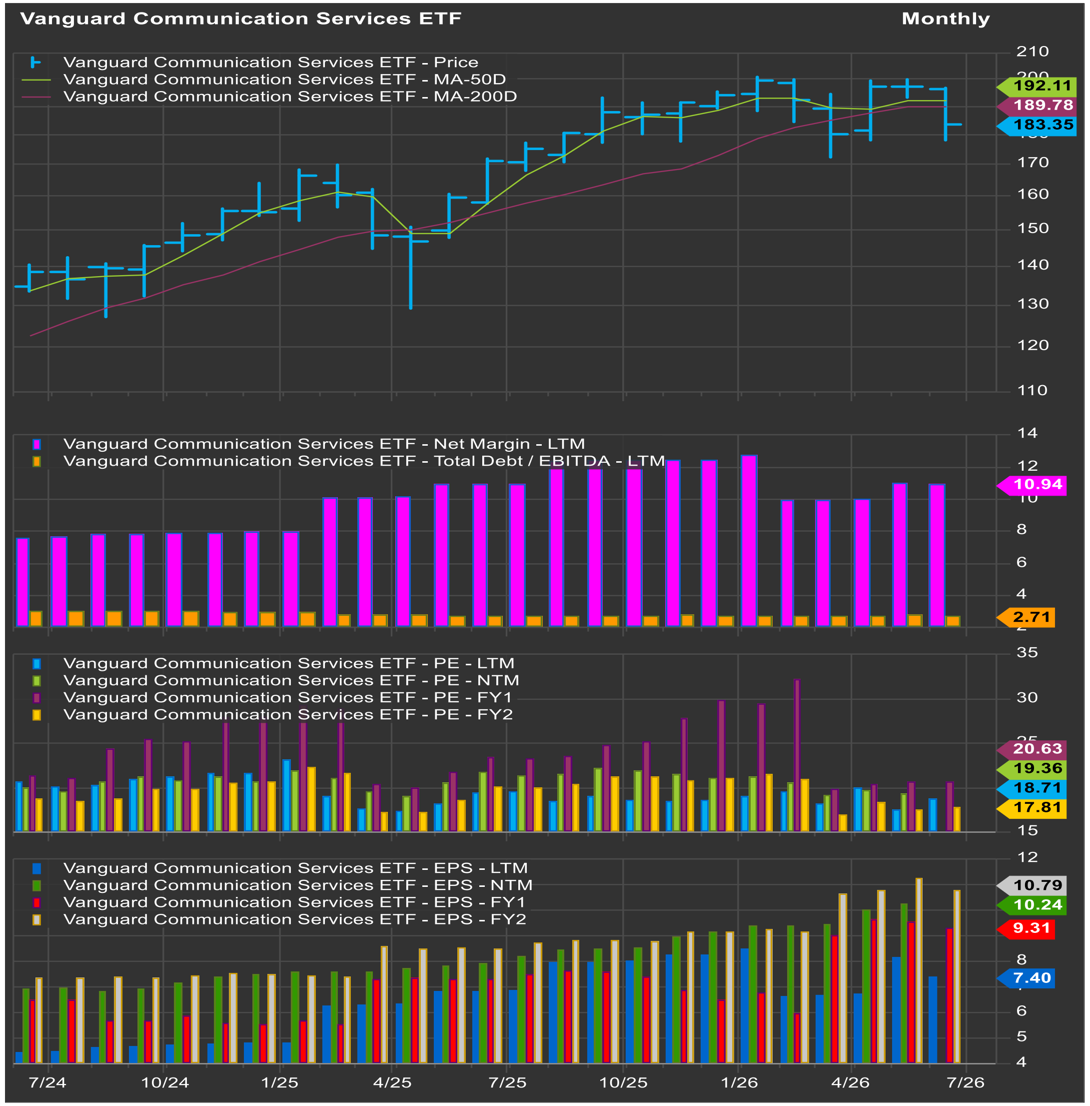
Upside case: Alphabet/Meta stabilize, AI capex concerns fade, advertisers continue spending, Paramount-WBD regulatory risk clears, and gaming/live events remain strong. In that scenario, VOX could rebound quickly because sentiment is already weak.

Downside case: AI spending scrutiny intensifies, Google AI search regulation spreads, Meta legal risk rises, streaming guidance disappoints, and media M&A faces regulatory delays. In that scenario, Communication Services likely remains the weakest sector in the model.

Bottom line: Communication Services should remain underweight in July. The fundamentals are not broken, but the sector's price action and policy backdrop are weak. Favor selective Entertainment exposure — especially gaming and live events — while avoiding broad exposure to Interactive Media, legacy Media and capital-intensive telecom until momentum improves.

We start July out of the Comm. Services Sector with an underweight allocation of -9.32% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

Fundamentals: Communication Services Sector



The fundamental backdrop is better than the stock price action. FactSet expects Communication Services to be one of the strongest S&P 500 revenue-growth sectors in Q2, led by Interactive Media & Services. That is important because Alphabet, Meta and digital advertising platforms still have scale, high margins and AI-enabled ad targeting advantages. But strong revenue growth is not enough when investors are questioning AI capex intensity, free-cash-flow conversion, search disruption and regulatory risk.

The sector's fundamental problem is not demand collapse; it is **earnings-quality skepticism**. Alphabet raised its annual capital-spending forecast to **$180B–$190B** and moved to raise **$80B** in equity offerings to help fund AI infrastructure, including a **$10B** Berkshire Hathaway private placement. That helped validate the long-term AI/cloud opportunity, but it also made investors more sensitive to dilution, capex intensity and the timing of AI returns.

Meta has the same issue. Reuters reported that Meta lifted its 2026 capex forecast to **$125B–$145B**, up from a prior **$115B–$135B** range, while warning that youth social-media legal and regulatory scrutiny could materially affect results. That makes Meta a high-quality advertising platform with real AI benefits, but also a company facing higher capital intensity and policy risk.

The market is increasingly separating AI **providers** from AI **spenders**. Reuters noted that investors have become more skeptical of hyperscalers and platform companies financing AI infrastructure with debt and equity, even as chip and hardware suppliers have been rewarded. That framework is central for Communication Services because Alphabet and Meta are both major AI spenders, not just AI monetization beneficiaries.

Ticker	Exposure	Price	1D	1W	1M	3M	6M	RSI
VOO	S&P 500	$670.26	-0.7%	-2.4%	-2.9%	+13.0%	+6.0%	44.9
VOX	Communicati on Services	$180.80	+0.9%	-3.2%	-9.1%	+2.6%	-6.7%	34.7

Industry/Sub-Industry Performance and Model Scores: Communication Services Sector

Indicator	Latest Reading	June Message	Investment Interpretation
Communication Services model score	**-2.75**	Very negative	Weakest sector score in the model.
Communication Services model rank	**11 / 11**	Bottom-ranked	Model does not favor broad sector exposure.
Model profile	**Momentum / Trend**	Trend breakdown	This is not an oversold/reversal signal; it is weak trend confirmation.
VOX 1M return	**-9.1%**	Sharp underperformance	Sector lagged the S&P 500 by roughly 620 bp over one month.
VOX 3M return	**+2.6%**	Weak rebound	Intermediate trend is positive but poor versus most cyclicals and defensives.
VOX 6M return	**-6.7%**	Negative longer trend	Six-month performance confirms lagging leadership.
VOX RSI	**34.7**	Weak / near oversold	Sector is pressured but not yet showing a durable reversal.
10Y real yield	**2.18%**	Valuation pressure	Higher real rates pressure long-duration platform and streaming multiples.
VIX	**18.41**	Volatility higher	Mega-cap platform volatility is feeding sector weakness.
Sector revenue setup	**Strong but not enough**	Fundamentals better than price	FactSet expects Communication Services to have the third-highest Q2 revenue growth rate among sectors, but stocks are discounting AI/regulatory risk.

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Top 10 Stock Level Performers: Communication Services Sector

Symbol	Company	Industry	Pattern	1M Excess	Valuation Rel.	Momentum Score	Div Yield Rel.	Beta
TTWO	Take-Two Interactive Software	Entertainment	Consolidation	+12.1%	1.57	5.9	0.00	0.83
TKO	TKO Group Holdings	Entertainment	Consolidation	+10.7%	2.15	1.3	0.52	0.44
LYV	Live Nation Entertainment	Entertainment	Bullish Reversal	+10.1%	8.31	10.0	0.00	1.16
EA	Electronic Arts	Entertainment	Consolidation	+4.7%	1.13	-6.9	0.26	0.29
OMC	Omnicom Group	Media	Downtrend	+2.4%	0.32	-9.8	3.35	0.65
WBD	Warner Bros. Discovery	Entertainment	Consolidation	+1.6%	—	-10.8	0.00	1.38
TMUS	T-Mobile US	Wireless Telecommunication Services	Support	-0.2%	0.76	-17.4	1.68	0.01
VZ	Verizon Communications	Diversified Telecommunication Services	Consolidation	-0.4%	0.45	-8.7	4.58	0.08
NWSA	News Corp. Class A	Media	Consolidation	-1.5%	1.00	-7.8	0.57	0.81
DIS	Walt Disney	Entertainment	Consolidation	-2.1%	0.67	-9.0	0.99	1.42

The top table is almost entirely **Entertainment**, but it is not a broad streaming trade. Take-Two, TKO, Live Nation and EA are the best performers, while Netflix is absent and Disney is only modestly negative. That points to gaming, sports/live events and experiential entertainment as the sector's healthiest pockets.

Take-Two has the cleanest catalyst. Reuters reported that Take-Two priced **Grand Theft Auto VI** at **$79.99** and maintained its **November 19** launch date; analysts expect the title to be an industry-level catalyst because the prior GTA V sold about **230M** copies. That supports TTWO's positive excess return and constructive consolidation pattern.

Live Nation's strength is also fundamental, but policy risk is not gone. Reuters reported that Live Nation beat Q1 revenue estimates on steady concert demand, with tickets sold for 2026 concerts up **11%** to more than **107M** through April, but also noted regulatory and legal pressure around ticketing and venue competition.

Telecom names in the top table are not true leaders. Verizon and T-Mobile were almost flat, not strong. Their appeal is low beta and dividend support, but the negative momentum scores show investors are not yet treating telecom as a growth or re-rating industry.

Bottom 10 Stock Level Performers: Communication Services Sector

Symbol	Company	Industry	Pattern	1M Excess	Valuation Rel.	Momentum Score	Div Yield Rel.	Beta
ECHO	EchoStar	Media	Retracement	-23.1%	3.85	-25.5	—	0.89
FOXA	Fox Corp. Class A	Media	Retracement	-21.2%	0.43	-29.7	0.81	0.57
FOX	Fox Corp. Class B	Media	Retracement	-19.8%	0.40	-28.1	0.90	0.61
NFLX	Netflix	Entertainment	Retracement	-11.9%	0.99	-27.7	0.26	0.80
GOOGL	Alphabet Class A	Interactive Media & Services	Uptrend	-10.8%	1.16	0.6	0.17	1.13
META	Meta Platforms	Interactive Media & Services	Consolidation	-10.6%	0.81	-13.4	0.25	1.54
GOOG	Alphabet Class C	Interactive Media & Services	Consolidation	-10.6%	1.15	0.0	0.17	1.11
TTD	Trade Desk	Media	Downtrend	-10.5%	0.83	-29.6	0.00	1.92
PSKY	Paramount Skydance	Media	Downtrend	-7.7%	0.67	-12.1	1.46	1.44
CHTR	Charter Communications	Media	Downtrend	-6.6%	0.15	-37.8	0.00	-0.07

The bottom table explains why VOX is the weakest sector ETF. The largest digital platforms are falling, while legacy media and cable are not providing offset. Alphabet and Meta still have strong businesses, but the stock market is penalizing AI capex intensity, regulatory risk and uncertainty around AI search/ad monetization.

Netflix's underperformance is important because it dragged the Entertainment industry's market-cap-weighted return negative. Reuters reported in April that Netflix fell more than **10%** after a muted forecast and Reed Hastings' exit deepened concerns about the company's next growth driver, with the company leaning more on advertising, live programming and pricing as subscription growth matures.

Media is the weakest traditional industry. EchoStar, Fox, Trade Desk, Paramount Skydance and Charter all have poor chart structures, and several have deeply negative momentum scores. Cheap valuation did not help Fox or Charter because investors are focusing on cord-cutting, ad-market disruption, M&A uncertainty and weak price structure.

Economic & Policy Drivers: Communication Services Sector

Interactive Media & Services

Interactive Media is the most important industry for VOX because Alphabet and Meta dominate the sector's market-cap exposure. The industry has strong expected revenue growth, but stock performance is weak because investors are questioning whether AI investment will translate into near-term free cash flow.

Alphabet faces two linked issues: AI funding and search regulation. Reuters reported Alphabet planned to raise **$80B** in equity offerings and lifted its annual capex forecast to **$180B–$190B** to fund AI infrastructure. Separately, UK regulators required Google to give publishers more control over whether their content is used in AI search features, with the CMA citing concerns about Google's dominance and publisher bargaining power.

Meta's setup is also mixed. The ad engine remains valuable, but the stock is being judged through the lens of AI capex and regulatory risk. Reuters reported Meta raised its 2026 capex forecast to **$125B–$145B** and warned that youth social-media litigation/regulation could significantly affect results.

Entertainment

Entertainment is the best industry on an equal-weight basis. Take-Two, TKO and Live Nation led, while EA and WBD also outperformed the sector ETF. The industry is benefiting from gaming catalysts, live-event demand, sports rights value and M&A optionality.

Gaming is the cleanest catalyst. Take-Two's GTA VI pricing and November launch date give investors a visible demand event with pricing power. Reuters noted GTA VI could drive not just Take-Two results, but broader console and PC upgrade demand.

Live events remain resilient. Live Nation beat Q1 revenue estimates and pointed to strong ticket demand, but regulatory/legal pressure remains a standing risk.

July read: Entertainment is the best Communication Services industry to own selectively, but avoid assuming all streaming and content names are working. Prefer gaming, live events and sports-linked assets over streaming names with weak momentum.

Media

Media remains the weakest traditional industry. Fox, EchoStar, Trade Desk, Paramount Skydance, Charter and Omnicom all show either retracement, downtrend or consolidation patterns. The group is exposed to ad-cycle pressure, cord-cutting, sports-rights inflation, regulatory scrutiny and deal uncertainty.

The Paramount Skydance / Warner Bros. Discovery deal is a major policy and M&A overhang. Reuters reported Britain formally began reviewing the proposed **$110B** Paramount-WBD acquisition, with the CMA's first phase deadline set for **August 7**. Reuters also reported the UK government is considering intervention on media freedom and competition grounds.

Comcast/NBCUniversal adds another strategic wrinkle. Reuters reported NBCUniversal may explore digital gaming and new entertainment franchises after its planned Comcast spinoff, while Comcast's cable/connectivity business could use AI/data-center investment opportunities. That helps the strategic optionality story but also reinforces how much traditional media is being forced to restructure.

July read: Media should remain underweight. M&A optionality exists, but weak stock momentum and regulatory uncertainty argue against broad exposure.

Diversified Telecommunication Services

Diversified Telecom is defensive, cheap and high-yielding, but not yet a leadership industry. Verizon has a **4.58x** dividend-yield multiple relative to the index, AT&T has **3.63x**, and Comcast has **3.84x**. However, AT&T is in retracement, Comcast is in downtrend, and the industry's average momentum score is deeply negative.

Spectrum investment remains a capital-intensity reminder. Reuters reported Verizon successfully bid nearly **$3.2B** for wireless licenses in an FCC mid-band spectrum auction, while AT&T, T-Mobile and SpaceX also won licenses. That supports network quality but reinforces that telecom remains a heavy-investment business.

Subsea cable regulation is another policy issue. The FCC voted to tighten oversight of submarine communications cables, which handle **99%** of international internet traffic, while fast-tracking trusted U.S. firms such as Meta and Alphabet under strict security standards. Telecom and platform companies both benefit from secure connectivity, but compliance and national-security oversight are rising.

Wireless Telecommunication Services

Wireless is more stable than Media or Interactive Platforms, but the industry is not yet strong. T-Mobile is at Support with a very low beta, but its momentum score is negative. The company remains high quality operationally, but the stock needs better price confirmation.

July read: Wireless is a watchlist industry, not a leadership call. Low beta helps in a volatile market, but the sector's broader weakness limits conviction.

What Shaped the Communication Services Narrative in June

June's Communication Services narrative was **AI spending pressure, platform regulation and media restructuring**. The sector's largest stocks were punished because investors are increasingly distinguishing between AI infrastructure providers and AI infrastructure spenders. Alphabet and Meta are still among the best-positioned digital-ad platforms, but investors are asking whether AI capex, regulation and search/ad disruption will dilute near-term returns.

The second narrative was **legacy media disruption**. Paramount Skydance/WBD review, Comcast's planned split, cable pressure, streaming competition and sports-rights inflation all point to an industry still searching for the right structure. M&A can unlock value, but the market is not treating M&A risk as an immediate reason to buy the group.

The third narrative was **selective entertainment resilience**. Gaming and live events worked even while the broader sector fell. That is why TTWO, TKO and LYV are at the top of the stock table while Netflix, Disney and WBD remain more mixed.

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

ETFInsight V8 Sector Model Workbook, June 26, 2026 — Vanguard sector ETF returns, RSI readings, sector selection scores, macro indicator readings, rates, credit, commodities, volatility and breadth data.

FactSet Earnings Insight, June 26, 2026 — S&P 500 and Communication Services revenue-growth expectations, industry revenue-growth estimates, target-price upside, analyst-rating context and sector valuation framework.

Reuters: Alphabet plans to raise $80 billion for AI goals, Berkshire to invest $10 billion, June 1, 2026 — Alphabet AI funding, equity issuance, capex forecast and AI infrastructure spending backdrop.

Reuters: Google must let UK publishers opt out of AI search under new rules, June 3, 2026 — AI search regulation, publisher control, CMA oversight and Google search policy risk.

Reuters: Meta shares fall on concerns over AI spending and legal scrutiny, April 29, 2026 — Meta capex forecast, AI infrastructure investment, youth social-media litigation and regulatory risk.

Reuters: What's good for the U.S. economy now may not be good for stocks, June 29, 2026 — AI providers versus AI spenders, hyperscaler financing, rising real rates and mega-cap platform volatility.

Reuters: Take-Two prices Grand Theft Auto VI at $79.99 and sticks to November 19 launch, June 24, 2026 — gaming catalyst, GTA VI pricing, launch timing and industry demand read-through.

Reuters: Live Nation posts upbeat quarterly revenue on steady demand for concerts, May 5, 2026 — live-event demand, ticket sales, regulatory/legal pressure and concerts industry backdrop.

Reuters: Netflix slumps as muted forecasts and Hastings exit deepen growth worries, April 17, 2026 — streaming growth concerns, advertising strategy, pricing, live programming and Netflix stock reaction.

Reuters: Britain begins formal review of Paramount's $110 billion Warner Bros. Discovery deal, June 9, 2026 — media M&A review, CMA timeline, competition concerns and streaming consolidation backdrop.

Reuters: UK leaning toward intervention in Paramount-Warner Bros. Discovery deal, June 30, 2026 — media plurality, public-interest review, UK regulatory risk and deal uncertainty.

Reuters: NBCUniversal may enter video game business after Comcast split, June 29, 2026 — Comcast/NBCUniversal separation, gaming strategy, media restructuring and potential M&A optionality.

Reuters: Verizon bids $3.2 billion to win U.S. spectrum licenses, June 26, 2026 — mid-band spectrum auction, telecom capital intensity and wireless network investment.

Reuters: U.S. FCC toughens submarine communication cable rules, June 25, 2026 — subsea cable policy, national-security oversight, fast-track approvals for trusted U.S. firms and connectivity infrastructure regulation.

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.