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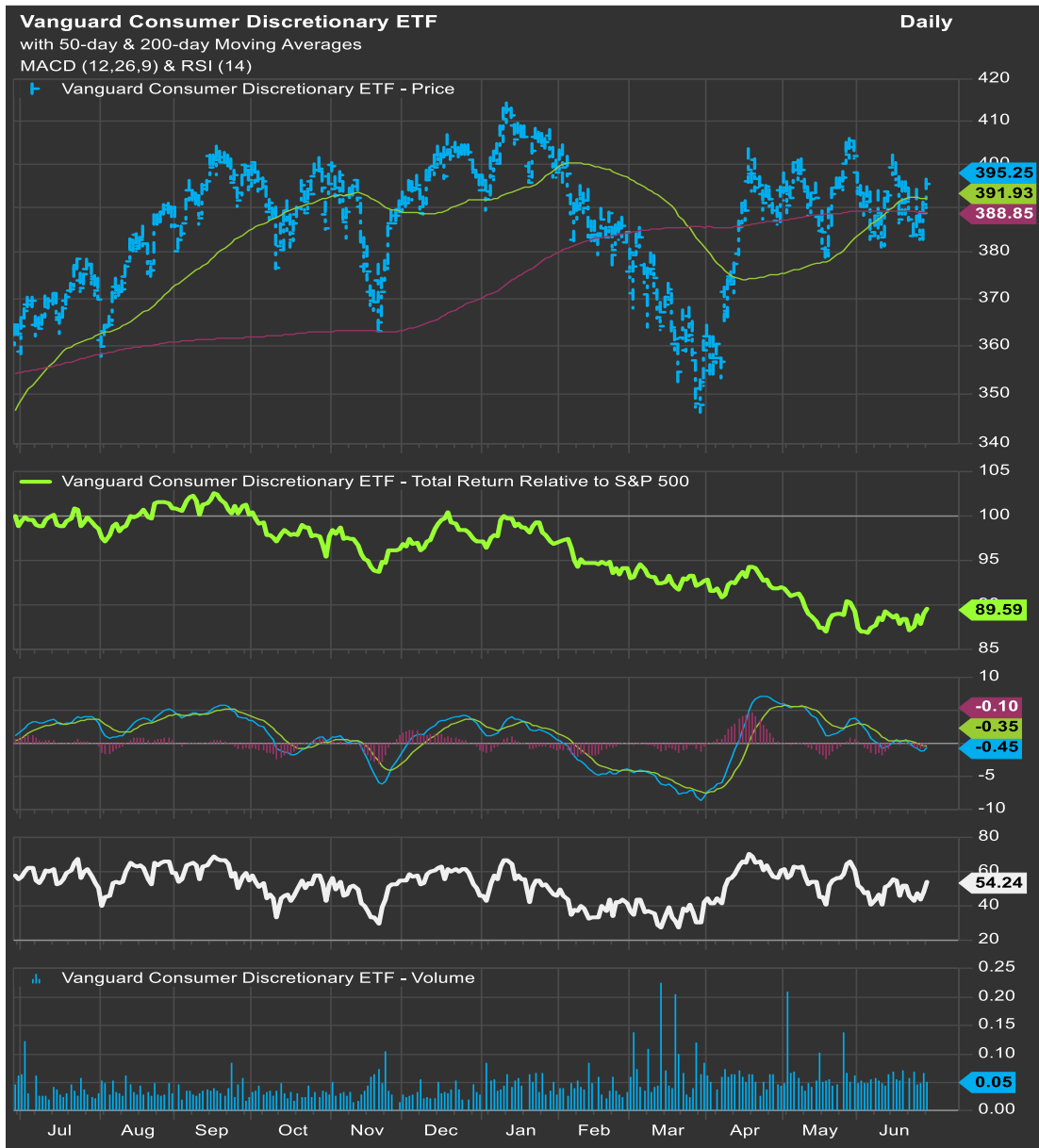
Monthly Insights: July Outlook

# Consumer Discretionary Sector

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# Sector Price Action & Performance Review: Consumer Discretionary Sector



Consumer Discretionary enters July with a mixed and fragile setup. VCR fell **3.7%** over the past month, underperforming the S&P 500 proxy, and the model ranks the sector near the bottom of the sector universe. The weakness is not broad-based across every consumer industry; it is concentrated in **Broadline Retail, Automobiles, Textiles/Apparel/Luxury Goods** and high-beta specialty retail.

The strongest industry-level signal came from **Hotels, Restaurants & Leisure**. DoorDash, Norwegian Cruise Line, Expedia, MGM Resorts and Royal Caribbean were all among the sector's top performers. This is consistent with a still-resilient services consumer, lower late-June fuel prices and continued willingness by higher-income consumers to spend on travel and experiences. The caveat is that the travel market is bifurcated: Reuters reported that higher airfares and hotel rates are pressuring budget travelers even as wealthier consumers continue to spend.

**Household Durables** also performed well, led by PulteGroup, D.R. Horton and NVR. That is notable because the housing macro backdrop is mixed. New home sales fell in May, inventory rose to **10.3 months of supply**, and the median new home price was **\$424,900**, but existing home sales increased more than expected. In other words, the stock market rewarded selected homebuilders on rate relief and better resale activity, but the industry is still exposed to affordability risk.

## July Outlook

The July outlook for Consumer Discretionary is **selective and cautious**. The model ranks the sector **9th of 11**, VCR underperformed the S&P 500 over the past month, and the sector trades at a premium valuation. That is not a strong setup for broad exposure.

The best July opportunities are in **Hotels, Restaurants & Leisure** and **Household Durables**. Travel/leisure benefits from lower fuel prices, service-spending resilience and stock-level reversal patterns. Household Durables benefits from rate relief and improving existing-home activity, though the new-home sales data argue for discipline.

**Specialty Retail** is selective. Williams-Sonoma, Home Depot and Best Buy have better recent price action, but the group remains sensitive to consumer confidence, housing activity, credit and promotional intensity. Favor category leaders and avoid high-beta laggards with negative momentum.

The weakest setups are **Automobiles, Broadline Retail and Textiles/Apparel/Luxury Goods**. Autos need better EV demand, affordability and regulatory clarity. Broadline Retail remains dominated by Amazon, where investors are balancing retail resilience against AI capex and discount-driven demand. Apparel remains one of the least attractive groups because Nike and Lululemon are still in downtrends.

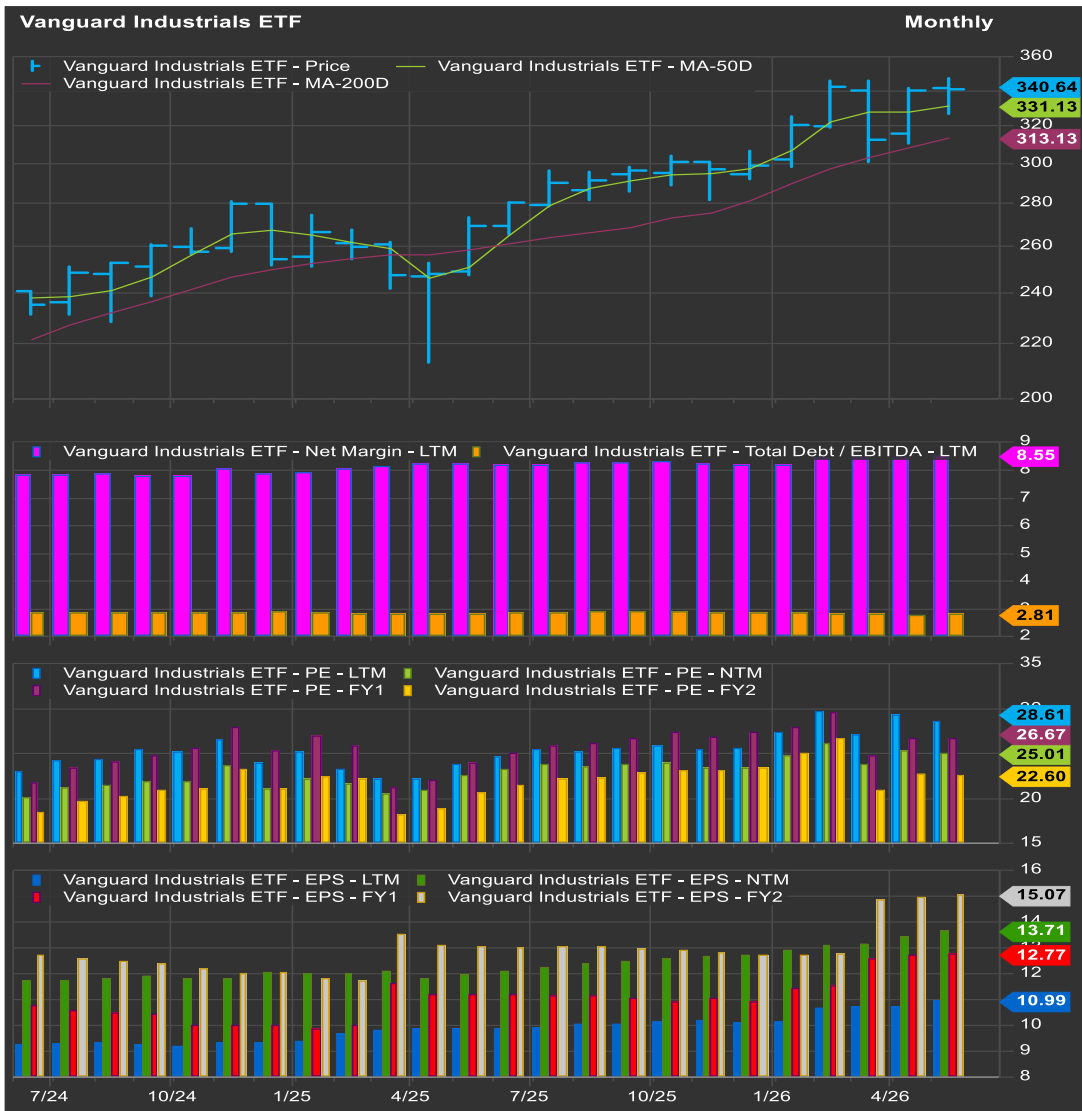
Upside case: real PCE stays positive, gasoline prices continue falling, travel demand remains firm, housing stabilizes and Q2 earnings confirm that retailers can protect margins despite discounting. In that scenario, Consumer Discretionary could recover through travel, homebuilders and select retail.

Downside case: inflation stays hot, real rates remain restrictive, tax-refund support fades, lower-income consumers retrench and companies guide to weaker margins or higher promotions. In that scenario, VCR likely continues to underperform, with autos, apparel and Amazon-led broadline retail as the biggest drags.

**Bottom line:** Consumer Discretionary is not a broad July overweight. The sector has attractive industry pockets, but the model score is weak, valuation is high and leadership is narrow. Favor travel/leisure, homebuilder reversals and select retail; avoid broad exposure to autos, apparel and high-multiple platform risk.

**We start July with an underweight allocation of -2.79% in our Elev8 Sector Rotation Model Portfolio to the Consumer Discretionary Sector vs. the S&P 500 benchmark**

# Fundamentals: Consumer Discretionary Sector



The fundamental backdrop is better than the model score but worse than the Q1 headline suggested. FactSet's Q2 data show Consumer Discretionary expected to deliver **5.1%** year-over-year earnings growth, down from **6.5%** at the start of the quarter, while revenue growth is expected to be **7.1%**, up slightly from **6.7%**. That is a positive but not dominant earnings profile, especially for a sector trading at a premium valuation.

Valuation is the main constraint. FactSet shows Consumer Discretionary trading at a **24.9x** forward 12-month P/E, the second-highest sector multiple behind Industrials and well above the S&P 500's **20.1x** forward multiple. That means the sector needs clean earnings delivery and continued spending resilience; modest growth is not enough if rates remain high and the consumer becomes more price-sensitive.

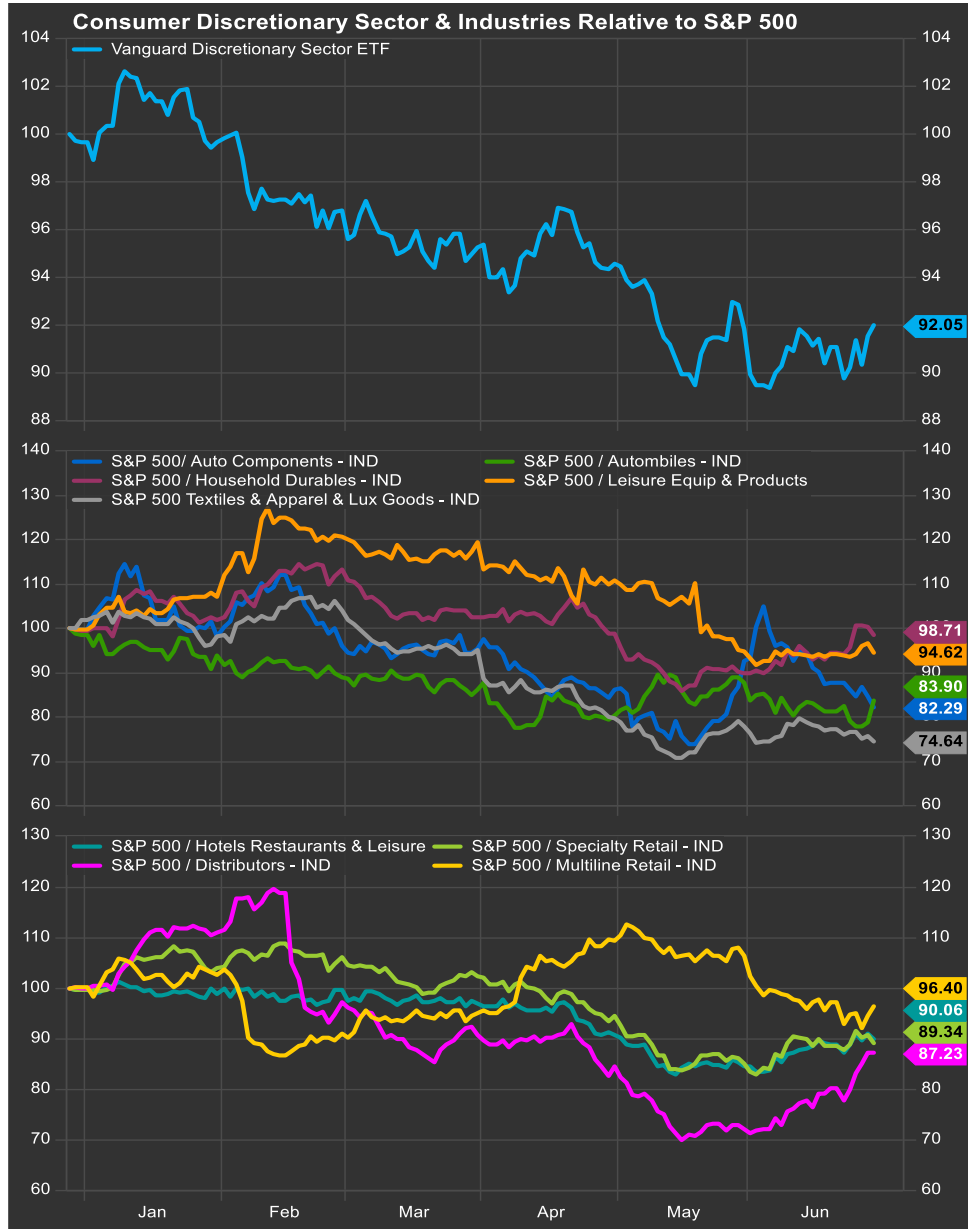
Q1 earnings were much stronger, but the quality of that strength was uneven. FactSet reported that Consumer Discretionary posted **39.7%** year-over-year Q1 earnings growth, but Amazon was the largest contributor. Excluding Amazon, sector earnings growth would have fallen to **14.9%**. FactSet also noted double-digit Q1 earnings growth in Automobiles, Broadline Retail and Hotels/Restaurants/Leisure, while Household Durables and Textiles/Apparel/Luxury Goods reported earnings declines.

That explains the stock-level setup. The market is rewarding reopening/travel, homebuilder reversals and select specialty retail, but it is punishing apparel weakness, EV uncertainty and high-multiple consumer platforms. The sector has enough fundamentals to avoid a bearish collapse, but not enough breadth to justify a broad overweight.

Consumer data are constructive but mixed. Census reported May retail and food services sales up **0.9%** month over month and **6.9%** year over year, with nonstore retailers up **12.2%** year over year. BEA reported real PCE up **0.3%** in May. However, Reuters noted that core retail sales were strong partly as tax refunds and a stock-market rally supported spending, while gasoline prices and inflation pressure continued to squeeze lower-income households.

Ticker	Exposure	Price	1D	1W	1M	3M	6M	RSI
VOO	S&P 500	\$670.26	-0.5%	-2.6%	-2.9%	+13.0%	+6.0%	43.2
VCR	Consumer Discretionary	\$388.60	+1.3%	-1.5%	-3.7%	+8.4%	-3.5%	49.0

# Industry/Sub-Industry Performance and Model Scores: Consumer Discretionary Sector



Indicator	Latest Reading	June Message	Investment Interpretation
Consumer Discretionary model score	<b>-0.88</b>	Negative	Sector ranks 9th of 11 sectors.
Consumer Discretionary model rank	<b>9 / 11</b>	Weak	The model does not favor broad Consumer Discretionary exposure.
Model profile	<b>Momentum / Trend</b>	Trend weakening	This is not an oversold/reversal signal; it is weak trend confirmation.
VCR 1M return	<b>-3.7%</b>	Underperformed	Broad sector underperformed the S&P 500 proxy.
VCR 3M return	<b>+8.4%</b>	Positive	Spring rebound remains intact but less convincing.
VCR 6M return	<b>-3.5%</b>	Negative	Longer-term relative setup remains uneven.
VCR RSI	<b>49.0</b>	Neutral	Not washed out enough to be an obvious tactical rebound trade.
Real PCE	<b>+0.3% m/m</b>	Constructive	Consumers are still spending in real terms.
Retail sales	<b>+0.9% m/m</b>	Strong nominal demand	Retail data beat expectations but are not adjusted for inflation.
CPI energy	<b>+23.5% y/y</b>	Consumer squeeze	Energy inflation remains a drag on real disposable income.
10Y real yield	<b>2.18%</b>	Restrictive	Higher real rates pressure housing, autos and high-multiple consumer growth.

# Top 10 Stock Level Performers: Consumer Discretionary Sector

Symbol	Company	Sector	Industry	Pattern	1M Excess	Valuation Rel.	Momentum Score	Div Yield Rel.	Beta
GPC	Genuine Parts	Consumer Discretionary	Distributors	Consolidation	+20.8%	0.72	1.6	2.59	0.81
DASH	DoorDash	Consumer Discretionary	Hotels Restaurants & Leisure	Consolidation	+19.5%	2.61	4.7	0.00	1.81
PHM	PulteGroup	Consumer Discretionary	Household Durables	Bullish Reversal	+19.5%	0.65	9.9	0.52	1.37
WSM	Williams-Sonoma	Consumer Discretionary	Specialty Retail	Bullish Reversal	+19.0%	1.22	20.5	0.88	1.63
NCLH	Norwegian Cruise Line	Consumer Discretionary	Hotels Restaurants & Leisure	Consolidation	+18.9%	0.58	2.5	0.00	2.07
EXPE	Expedia	Consumer Discretionary	Hotels Restaurants & Leisure	Bullish Reversal	+18.2%	0.61	2.9	0.38	1.26
MGM	MGM Resorts	Consumer Discretionary	Hotels Restaurants & Leisure	Bullish Reversal	+17.2%	1.29	19.8	0.00	1.41
RCL	Royal Caribbean	Consumer Discretionary	Hotels Restaurants & Leisure	Consolidation	+16.4%	0.85	9.2	1.11	1.87
DHI	D.R. Horton	Consumer Discretionary	Household Durables	Bullish Reversal	+15.8%	0.72	10.5	0.78	1.55
RL	Ralph Lauren	Consumer Discretionary	Textiles Apparel & Luxury Goods	Bullish Reversal	+13.8%	1.09	10.8	0.67	1.63

The top 10 list is dominated by **travel, leisure and housing**, not by broad retail. Hotels/Restaurants/Leisure supplied five of the top 10 names, while Household Durables added PulteGroup and D.R. Horton. That tells us the market is still willing to buy cyclical consumer exposure where the stock has a recovery setup and where lower energy prices or rate relief can improve the near-term narrative.

The quality of the top 10 is mixed. DoorDash has the highest valuation multiple in the table at **2.61x** the index, but most of the other top performers trade at or below the index multiple. PulteGroup, D.R. Horton, Norwegian Cruise Line, Expedia and Royal Caribbean all have valuation multiples below the index, suggesting June's winners were not simply expensive growth stocks. Investors preferred cyclicals where valuation was reasonable and the chart pattern was either **Bullish Reversal** or **Consolidation**.

The housing-related names are especially important. PulteGroup and D.R. Horton have bullish reversal patterns, positive momentum scores and below-index valuation multiples. That combination suggests the market is starting to price some stabilization in housing-related discretionary spending, even though the macro data are not uniformly favorable.

## Bottom 10 Stock Level Performers: Consumer Discretionary Sector

Symbol	Company	Sector	Industry	Pattern	1M Excess	Valuation Rel.	Momentum Score	Div Yield Rel.	Beta
CVNA	Carvana	Consumer Discretionary	Specialty Retail	Consolidation	-12.5%	1.72	-17.2	0.00	3.91
F	Ford Motor	Consumer Discretionary	Automobiles	Bullish Reversal	-12.5%	0.40	1.6	3.12	1.58
AMZN	Amazon.com	Consumer Discretionary	Broadline Retail	Consolidation	-12.4%	1.23	-4.6	0.00	1.46
TSLA	Tesla	Consumer Discretionary	Automobiles	Consolidation	-11.4%	8.78	-14.2	0.00	1.78
NKE	Nike	Consumer Discretionary	Textiles Apparel & Luxury Goods	Downtrend	-10.5%	1.10	-28.8	2.70	0.74
LULU	Lululemon	Consumer Discretionary	Textiles Apparel & Luxury Goods	Downtrend	-7.8%	0.52	-30.0	0.00	0.51
DECK	Deckers Outdoor	Consumer Discretionary	Textiles Apparel & Luxury Goods	Consolidation	-5.9%	0.68	-5.1	0.00	1.30
LVS	Las Vegas Sands	Consumer Discretionary	Hotels Restaurants & Leisure	Support	-5.1%	0.68	-20.6	1.73	0.93
GM	General Motors	Consumer Discretionary	Automobiles	Consolidation	-4.5%	0.28	-8.1	0.65	1.13
ULTA	Ulta Beauty	Consumer Discretionary	Specialty Retail	Support	-3.4%	0.81	-16.3	0.00	1.21

The bottom table explains the negative sector score. The weakness is concentrated in **autos, apparel, Amazon and high-beta specialty retail**. Carvana is the highest-beta laggard at **3.91**, Tesla is the most expensive stock in the table at **8.78x** the index, and Nike/Lululemon are both in **Downtrend** patterns with deeply negative momentum scores.

The apparel signal is especially poor. Nike and Lululemon both have negative 1-month excess returns, downtrend patterns and momentum scores below **-28**. Reuters reported that Lululemon cut its annual revenue forecast, with the company expecting fiscal 2026 revenue to be flat to down 1% versus a prior forecast for growth. That fits the stock table's message: the market is punishing companies where brand momentum, tariffs, inventory or execution are not improving fast enough.

Amazon's weakness matters because it is a large sector weight. Prime Day produced strong spending, with Reuters reporting U.S. online shoppers spent more than **\$26.4B** during the event, but the read-through was not purely bullish: smaller average order size and discount-driven demand suggested a deal-seeking consumer rather than a fully healthy discretionary spending cycle.

Autos are a valuation split rather than a uniform story. Ford and GM look inexpensive and have dividend support, but their stocks lagged. Tesla remains expensive and high beta. The industry needs better demand visibility, EV policy clarity and affordability improvement before it can become a leadership group again.

# Economic & Policy Drivers: Consumer Discretionary Sector

## Hotels, Restaurants & Leisure

This is the strongest industry group in the sector. DoorDash, Norwegian Cruise Line, Expedia, MGM Resorts, Royal Caribbean and Airbnb all outperformed. The drivers are lower late-June fuel prices, continued travel demand among higher-income consumers and a rotation into service-oriented cyclicals.

The risk is affordability. Reuters reported that costlier flights and hotel prices are dividing U.S. summer travel between “haves” and “have-nots,” with premium travel holding up better than budget travel. That supports cruise, booking and higher-end leisure exposure, but it also means the industry remains sensitive to gasoline, airfare, wage pressure and consumer confidence.

Restaurants are more mixed. Census/Reuters retail data showed food services and drinking places dipped **0.1%** in May, while BLS reported food away from home prices rose **3.5%** year over year. That creates a margin and traffic issue: higher menu prices may support nominal revenue, but they can also pressure traffic from lower-income consumers.

## Household Durables

Household Durables had one of the best industry profiles, led by homebuilders. PulteGroup and D.R. Horton have bullish reversal patterns, positive momentum scores and below-index valuation multiples. The industry is benefiting from rate relief, improving resale activity and lower commodity/energy pressure.

The macro backdrop is not clean. New home sales fell **7.3%** in May, inventory rose to **10.3 months of supply**, and median new home prices remain high. Existing home sales improved, but affordability remains a constraint. This is a selective rebound trade, not a broad housing boom call.

## Specialty Retail

Specialty Retail is bifurcated. Williams-Sonoma, Home Depot and Best Buy outperformed, while Carvana and Ulta lagged. The industry is getting support from home-improvement stabilization, value-seeking behavior and stock-specific reversals, but the negative momentum scores across several names show that the group is not yet broadly healthy.

The retail macro data support select exposure. May retail sales rose more than expected, nonstore retail was strong and core retail sales increased **0.7%**. However, Reuters also noted that spending strength was aided by tax refunds and a stock-market rally, and that gasoline pressure was hurting lower-income consumers. That favors higher-quality, value-aware or category-leading retailers over weaker discretionary concepts.

## Broadline Retail

Broadline Retail is being dragged by Amazon. The industry’s market-cap-weighted 1-month excess return was **-12.2%**, even though eBay held up much better. Amazon’s issue is not just retail; it is also the market’s broader debate around AI capex, discount intensity and whether large platform companies are becoming AI “spenders” rather than near-term profit beneficiaries.

Prime Day data offered a mixed consumer read-through. Reuters reported strong online spending, but also noted that shoppers focused on essentials, back-to-school needs and discounts, with smaller average order sizes. That is consistent with a resilient but price-sensitive consumer.

## Automobiles and Automobile Components

Autos are one of the weakest industry groups. Ford, Tesla and GM all posted negative 1-month excess returns, and Tesla remains highly valuation-sensitive with an **8.78x** valuation multiple relative to the index. Ford and GM are inexpensive, but negative stock momentum shows that valuation is not enough.

Policy and regulation are also becoming a near-term risk. Reuters reported that automakers warned they may have to halt new and used vehicle sales in California unless the state delays implementation of vehicle technology rules. More broadly, EV demand remains uncertain, affordability is stretched and the industry is exposed to rates, credit, residual values and regulatory shifts.

## Textiles, Apparel & Luxury Goods

This is the weakest quality group inside Consumer Discretionary. Ralph Lauren worked, but Nike and Lululemon are in downtrends with deeply negative momentum scores. Lululemon’s lowered forecast reinforces the concern that brand strength and category leadership are no longer enough when consumers are price-sensitive and tariffs/cost pressure remain in the conversation.

The group remains vulnerable to inventory risk, promotional pressure, tariff exposure and a consumer rotation toward essentials. It should be treated as a stock-picker’s industry rather than a broad rebound candidate.

## What Shaped the Consumer Discretionary Narrative in June

June’s Consumer Discretionary narrative was **resilient spending, weaker leadership**. The consumer data were not recessionary: retail sales beat expectations, real PCE rose, and travel/leisure remained investable. But the sector ETF still lagged because the largest and most valuation-sensitive components weakened.

The top stock performers show that investors wanted **cyclical recovery with valuation support**: cruises, travel platforms, homebuilders, select retailers and restaurants. The bottom performers show what investors avoided: high-beta used-car retail, EV and auto uncertainty, apparel downtrends, and Amazon’s platform/capex complexity.

The sector is therefore not giving a clean macro signal. It is neither confirming a consumer recession nor endorsing a broad discretionary boom. It is showing that higher-income and services-oriented spending remains durable, while rate-sensitive, brand-challenged and high-multiple consumer exposures remain fragile.

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

**ETFInsight** V8Sector 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 Consumer Discretionary Q2 earnings-growth estimates, revenue-growth estimates, sector valuation, forward P/E and sector-level earnings revision framework.

**FactSet** Earnings Insight, May 8, 2026 — Q1 Consumer Discretionary earnings scorecard, Amazon contribution, industry earnings growth, revenue-growth context and sector margin backdrop.

**U.S. Census Bureau** Advance Monthly Retail Trade Report, May 2026 — retail sales, nonstore retail, food services, monthly sales growth and nominal consumer-spending indicators.

**BEA** Personal Income and Outlays, May 2026 — real PCE, services spending, goods spending, savings rate and household spending backdrop.

**BLS** CPI, May 2026 — headline CPI, core CPI, energy, gasoline, food away from home, apparel, recreation, vehicle prices and consumer inflation pressure.

**U.S. Census Bureau / HUD** New Residential Sales, May 2026 — new home sales, inventory, months' supply, median sales price and housing affordability context.

**Reuters:** U.S. existing home sales increase more than expected in May, June 9, 2026 — resale housing activity, regional sales trends and housing demand read-through.

**Reuters:** Strong U.S. retail sales showcase economy's resilience despite Iran war, June 17, 2026 — retail sales, gasoline spending, core retail sales, auto sales, nonstore retail and restaurant weakness.

**Reuters:** Amazon Prime Day offers a glimpse into U.S. consumer, June 27, 2026 — online spending, discount behavior, average order size, essentials focus and deal-seeking consumer behavior.

**Reuters:** Costlier flights and hotels divide U.S. summer travel, May 28, 2026 — travel demand, premium consumer resilience, budget-traveler pressure and leisure-spending bifurcation.

**Reuters:** Automakers could halt car sales in California without delay in vehicle tracking law, June 23, 2026 — auto regulatory risk, vehicle technology rules and California sales disruption risk.

**Reuters:** Lululemon cuts annual revenue forecast, June 4, 2026 — apparel demand weakness, brand-turnaround risk, tariff/cost pressure and Textiles/Apparel/Luxury Goods read-through.

# 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.