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Monthly Insights: July Outlook

Materials Sector

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Sector Price Action & Performance Review: Materials



Materials enters July with a **positive model signal but a negative tactical overlay**. VAW was essentially flat over the past month while the S&P 500 proxy declined **2.9%**, giving the sector improving relative strength. The model therefore reads the sector as a mean-reversion candidate: Materials has lagged enough on an intermediate basis to score well in the model's oversold/reversal framework, but not so badly that the chart has broken down.

The problem is that the model's signal is arriving just as the commodity complex is weakening. In the model data, copper fell **2.6%** over one month, gold fell **8.0%**, oil fell **21.9%**, and the Bloomberg Commodity Index proxy fell **8.8%**. That is not a supportive near-term backdrop for a sector whose earnings psychology is heavily linked to metals, chemicals, energy feedstocks, construction materials and global industrial demand.

The industry-level read is mixed. **Containers & Packaging** was the strongest group in the stock file, with International Paper, Smurfit Westrock, Packaging Corp. of America, Ball and Amcor all ranking among the top Materials performers. This looks less like a commodity beta trade and more like a defensive/value/cash-flow bid inside the sector. **Construction Materials** also performed well, led by Vulcan and Martin Marietta, but the group faces input-cost and rate-sensitivity risk. **Chemicals** is highly bifurcated: Sherwin-Williams, PPG and Ecolab held up, while Dow, LyondellBasell, Albemarle, Mosaic and CF Industries lagged sharply. **Metals & Mining** is the most vulnerable near term because copper, gold and steel-linked stocks are exposed to a continuing commodity correction.

July Outlook

The July outlook for Materials is **tactically cautious despite a constructive model score**. The model ranks Materials 4th because it has a positive oversold/reversal signal, improving relative performance and a reasonable price setup. However, we are tactically avoiding exposure this month because the commodity backdrop is deteriorating faster than the model signal can fully capture.

The industries to avoid near term are Metals & Mining and commodity-sensitive Chemicals. Copper, gold, oil and broad commodities have all corrected, and the bottom stock table shows that investors are already selling the highest commodity-beta names. Dow, LyondellBasell, Albemarle, CF, Mosaic and Newmont are inexpensive, but their negative momentum and retracement/downtrend patterns argue for patience.

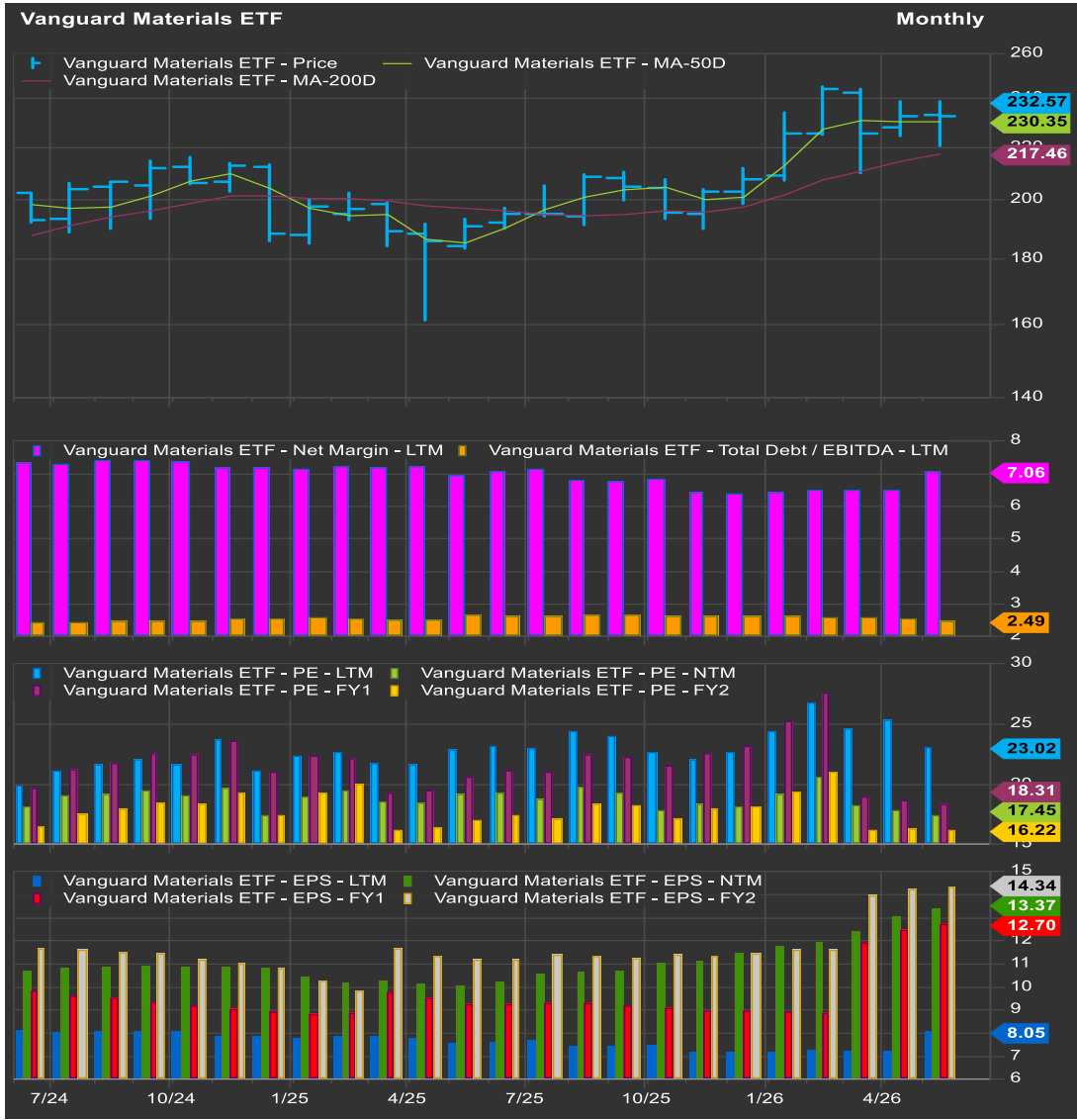
Upside case: commodities stabilize, copper resumes leadership, gold finds support, and Q2 earnings confirm FactSet's strong Materials growth expectations. In that scenario, the model's positive reversal signal could work quickly because valuations in several laggards are already low.

Downside case: commodities continue correcting, China/macro demand remains uneven, real yields stay elevated, and investors continue to fade commodity-sensitive cyclicals. In that case, Materials would likely underperform despite solid headline earnings growth, with the biggest risk in lithium, commodity chemicals, fertilizers, metals and gold miners.

Bottom line: the model likes Materials for understandable quantitative reasons, but the tactical call is to avoid broad exposure in July. The sector has improving relative price action and strong expected earnings growth, but the commodity tape is correcting and the weakest stock groups are exactly the ones most tied to that correction. Wait for commodity stabilization before upgrading Materials.

We start July out of the Materials Sector with an underweight allocation of -1.84% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

Fundamentals: Materials Sector



The fundamental backdrop is better than the price action suggests. FactSet expects Materials to deliver the **third-largest year-over-year earnings growth rate** among the 11 S&P 500 sectors in Q2 at **35.3%**. All four Materials industries are expected to report earnings growth: **Metals & Mining +45%, Chemicals +43%, Containers & Packaging +18%, and Construction Materials +2%**.

Estimate revisions have also improved. FactSet notes that Materials has recorded the third-largest increase in estimated dollar-level earnings since the start of the quarter, rising **4.4%** to **\$18.1B** from **\$17.3B**. However, only **8 of 26** Materials companies have seen EPS estimates rise since March 31, which makes the revision story narrower than the headline sector growth rate suggests. Dow, LyondellBasell, Albemarle and CF Industries were cited among the companies with large estimate increases, but those same stocks are among the weaker price performers in the attached stock file.

That disconnect is important. Analysts have been raising estimates for commodity chemicals, lithium and fertilizer names, but the market is already discounting lower spot commodity prices. Albemarle, LyondellBasell, Dow, CF and Mosaic all have low valuation multiples and attractive dividend-yield characteristics, but their negative momentum scores show that cheapness is not enough when commodity prices are rolling over.

At the industry level, **Containers & Packaging** has the cleanest stock-price confirmation. It is not the fastest earnings-growth group, but it has the best combination of relative performance, low valuation multiples, high dividend-yield multiples and less direct exposure to copper/gold/lithium volatility. **Construction Materials** has strong price action, but expected industry earnings growth is only **2%**, and valuation multiples are above the Materials average. **Metals & Mining** has the strongest expected earnings growth, but that is also where the near-term commodity correction risk is most acute.

Industry/Sub-Industry Performance and Model Scores: Materials



6/29/2026

Indicator	Latest Reading	June Message	Investment Interpretation
Materials model score	0.73	Positive	Model ranks Materials 4th of 11 sectors.
Materials model rank	4 / 11	Constructive	Quant signal favors mean reversion after relative underperformance.
Model profile	Oversold / Reversal	Reversal setup	The model is not identifying a clean momentum uptrend; it is identifying a rebound profile.
VAW 1M return	+0.0%	Better than S&P 500	Relative performance improved as the index sold off.
VAW 3M return	+5.3%	Positive	Intermediate trend remains constructive but not dominant.
VAW 6M return	+10.4%	Positive	Longer-term performance still confirms cyclicity.
VAW RSI	50.4	Neutral	Not overbought, not washed out.
Copper	\$6.14/lb	-2.6% 1M	Near-term metals momentum has softened.
Gold	\$4,072/oz	-8.0% 1M	Precious metals remain under real-rate and dollar pressure.
WTI crude	\$69.23/bbl	-21.9% 1M	Lower oil helps input costs but weakens commodity inflation hedge demand.
Bloomberg Commodity Index proxy	122.99	-8.8% 1M	Broad commodity impulse is correcting.

Top 10 Stock Level Performers: Materials

Symbol	Company	Industry	Pattern	1M Excess	Valuation Multiple Rel. to Index	Momentum Score	Div Yield Multiple Rel. to Index	Beta
IP	International Paper	Containers & Packaging	Consolidation	+19.0%	0.96	1.8	3.55	0.75
SW	Smurfit Westrock	Containers & Packaging	Consolidation	+17.2%	0.85	11.0	2.88	1.12
SHW	Sherwin-Williams	Chemicals	Consolidation	+15.4%	1.38	1.3	0.62	1.21
VMC	Vulcan Materials	Construction Materials	Consolidation	+15.2%	1.55	6.2	0.49	1.05
PKG	Packaging Corp. of America	Containers & Packaging	Consolidation	+14.1%	1.06	5.7	1.55	0.76
BALL	Ball Corp.	Containers & Packaging	Consolidation	+12.9%	0.72	0.6	0.93	0.87
AMCR	Amcor	Containers & Packaging	Consolidation	+12.3%	0.49	2.4	4.28	0.63
PPG	PPG Industries	Chemicals	Consolidation	+11.9%	0.74	8.0	1.70	0.95
ECL	Ecolab	Chemicals	Consolidation	+11.9%	1.59	0.2	0.75	0.86
MLM	Martin Marietta Materials	Construction Materials	Consolidation	+9.9%	1.47	-3.1	0.42	0.95

The top performers are **not classic commodity beta stocks**. Five of the top seven are Containers & Packaging names, which tells us investors favored cash flow, dividends and defensive cyclicality rather than direct metals or chemical leverage. International Paper, Smurfit Westrock and Amcor all have dividend-yield multiples well above the index, and Amcor also has the lowest valuation multiple in the top table.

The Construction Materials winners — Vulcan and Martin Marietta — remain strong, but they are not cheap. Both trade at valuation multiples well above the average Materials stock in the file, while dividend-yield support is limited. Their strength looks tied to infrastructure/construction pricing power and scarcity value rather than broad commodity reflation.

The most notable technical point is that every top-10 Materials stock is in a **Consolidation** pattern. That is constructive relative performance, but it is not the same as a broad uptrend. The top table supports a tactical **selective hold** in the best industries, not a broad sector overweight.

Bottom 10 Stock Level Performers: Materials

Symbol	Company	Industry	Pattern	1M Excess	Valuation Multiple Rel. to Index	Momentum Score	Div Yield Multiple Rel. to Index	Beta
NUE	Nucor	Metals & Mining	Bullish Reversal	-1.2%	0.73	23.1	0.69	1.95
DD	DuPont	Chemicals	Bullish Reversal	-1.5%	0.91	-6.6	1.64	0.73
FCX	Freeport-McMoRan	Metals & Mining	Bullish Reversal	-2.5%	0.93	-0.7	0.69	0.92
STLD	Steel Dynamics	Metals & Mining	Uptrend	-3.2%	0.69	19.9	0.64	1.48
MOS	Mosaic	Chemicals	Downtrend	-4.3%	0.82	-16.6	2.81	0.58
CF	CF Industries	Chemicals	Bullish Reversal	-6.6%	0.37	-14.8	1.38	0.02
NEM	Newmont	Metals & Mining	Retracement	-8.5%	0.45	-16.4	0.77	0.26
DOW	Dow	Chemicals	Retracement	-12.9%	0.51	-21.7	3.56	-0.19
LYB	LyondellBasell	Chemicals	Retracement	-15.0%	0.32	-22.4	4.03	-0.25
ALB	Albemarle	Chemicals	Retracement	-21.3%	0.53	-30.4	0.89	1.25

The bottom table is the reason we are not following the positive quant signal this month. The laggards are concentrated in **commodity chemicals, lithium, fertilizers, gold and metals**. These are precisely the groups that should be most vulnerable if commodities continue correcting in July.

Cheapness did not protect the laggards. LyondellBasell, CF, Newmont, Dow and Albemarle all trade at valuation multiples well below the index, and Dow/LyondellBasell have dividend-yield multiples above **3.5x** the index. The market is not paying for cheap cyclical exposure right now; it is punishing negative momentum and commodity sensitivity.

The metals signal is especially conflicted. Nucor and Steel Dynamics still have strong momentum scores, and Steel Dynamics remains in an uptrend, but both posted negative one-month excess returns. Freeport has a bullish reversal pattern, but copper has softened. Newmont is in retracement as gold fell sharply. This is a sector where the bottom-up valuation case is real, but the near-term tape is not confirming.

Economic & Policy Drivers: Materials Sector

- **Chemicals**

- Chemicals face the most direct conflict between earnings revisions and commodity-price momentum. FactSet's estimate-revision work highlights Dow, LyondellBasell, Albemarle and CF Industries as major upward revision names, but the stock file shows those same companies in the bottom half of the sector on 1-month excess return.

- The problem is input and product-price volatility. BLS reported that May PPI final demand rose **1.1%**, with final demand goods up **2.8%**; plastic resins and materials, industrial chemicals and natural gas liquids were among the categories that increased. That supports nominal revenue and pricing power, but it also raises margin uncertainty and makes the group vulnerable if commodity prices correct faster than analysts revise earnings estimates.

- **Metals & Mining**

- Metals & Mining has the strongest expected industry earnings growth inside Materials, but the near-term commodity signal is weakening. Reuters noted that copper edged lower earlier in June as macro concerns outweighed tariff support, and the model's copper proxy fell **2.6%** over the past month. Freeport, Nucor, Steel Dynamics and Newmont therefore need commodity stabilization before the industry can justify a tactical upgrade.

- Copper's long-term story remains attractive because of electrification, grid investment and AI infrastructure demand, but the near-term supply chain is complicated. Reuters highlighted stress in copper smelting economics, including negative spot treatment charges and China's rapid capacity expansion relative to constrained mine supply. That is supportive of long-term scarcity narratives, but it does not prevent near-term price corrections or margin stress within the value chain.

- Gold-linked exposure is also tactically weaker. Reuters reported that gold fell below **\$4,000/oz** in late June for the first time since November 2025 as investors priced a more hawkish Fed and a firmer dollar. That lines up with Newmont's retracement pattern and negative 1-month excess return.

- **Containers & Packaging**

- Containers & Packaging is the best industry inside Materials right now. All six stocks in the stock file are in consolidation patterns, and the industry produced the highest average and market-cap-weighted 1-month excess returns. International Paper, Smurfit Westrock, Packaging Corp. of America, Ball and Amcor all outperformed, and several have attractive dividend-yield multiples.

- The industry's advantage is that it is less dependent on a fresh commodity rally. It can benefit from easing energy and raw-material costs if commodity prices continue correcting, while still offering cash-flow and dividend support. That said, the group is not in a clean uptrend; the technical setup is better described as stabilization and recovery.

- **Construction Materials**

- Construction Materials remains fundamentally high quality, but the risk/reward is less favorable at current prices. Vulcan and Martin Marietta both ranked in the top 10 Materials performers, and CRH also outperformed. However, this is the industry with the lowest expected Q2 earnings growth rate in FactSet's Materials breakdown at **2%**, and the stocks trade at elevated valuation multiples relative to the broader sector.

- Input-cost pressure remains a constraint. FRED's BLS construction-materials PPI series rose to **363.253** in May from **359.364** in April, and ISM said raw-material prices increased for the 20th straight month in May, with steel, aluminum, tariffs and petroleum-based products driving the Prices Index. That supports pricing power for incumbents, but it also keeps margin and affordability pressure in the investment debate.

- **What Shaped the Materials Narrative in June**

- June was a month when Materials looked better on the screen than it felt in the commodity tape. VAW held up relative to the S&P 500, the model score improved, and several industry groups produced strong stock-level rebounds. But the key commodities that usually anchor Materials sentiment weakened into month-end.

- The better performers were more defensive or less commodity-sensitive: packaging, coatings, specialty chemicals and construction aggregates. The weaker performers were direct commodity beta: lithium, commodity chemicals, fertilizers, gold and metals. That is not the kind of breadth we want to see before tactically adding broad Materials exposure.

- The most important conclusion is that the Materials rally is **not yet a synchronized commodity reflation trade**. It is a selective rebound in industry groups with cash-flow support and pricing power. That distinction matters because the quant model's positive score may be early if commodities continue correcting.

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 Materials sector earnings-growth estimates, estimate revisions, industry earnings expectations, revenue-growth context, margin backdrop and valuation framework.

ISM Manufacturing PMI, May 2026 — manufacturing activity, raw-material price pressure, steel and aluminum price commentary, tariff sensitivity and petroleum-based input-cost pressure.

BLS Producer Price Index, May 2026 — final demand prices, goods prices, intermediate materials, industrial chemicals, plastic resins, energy inputs and commodity inflation detail.

FRED / BLS Producer Price Index: Construction Materials, May 2026 — construction-materials price index level, monthly change and construction input-cost backdrop.

Reuters: Copper slips as macro concerns outweigh U.S. tariff fears, June 10, 2026 — copper price action, macro risk and tariff-support context.

Reuters: Copper soars but smelters cannot bank on it to survive, June 26, 2026 — copper supply chain, treatment charges, Chinese smelting capacity and concentrates-market stress.

Reuters: Gold ETFs could see fresh outflows on rising bets on Fed monetary tightening, June 24, 2026 — gold-price weakness, ETF-flow risk, rate sensitivity and precious-metals policy backdrop.

Federal Reserve FOMC Statement, June 17, 2026 — policy-rate backdrop, elevated inflation language, supply-shock discussion and rate-sensitivity context for cyclicals and commodities.

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.