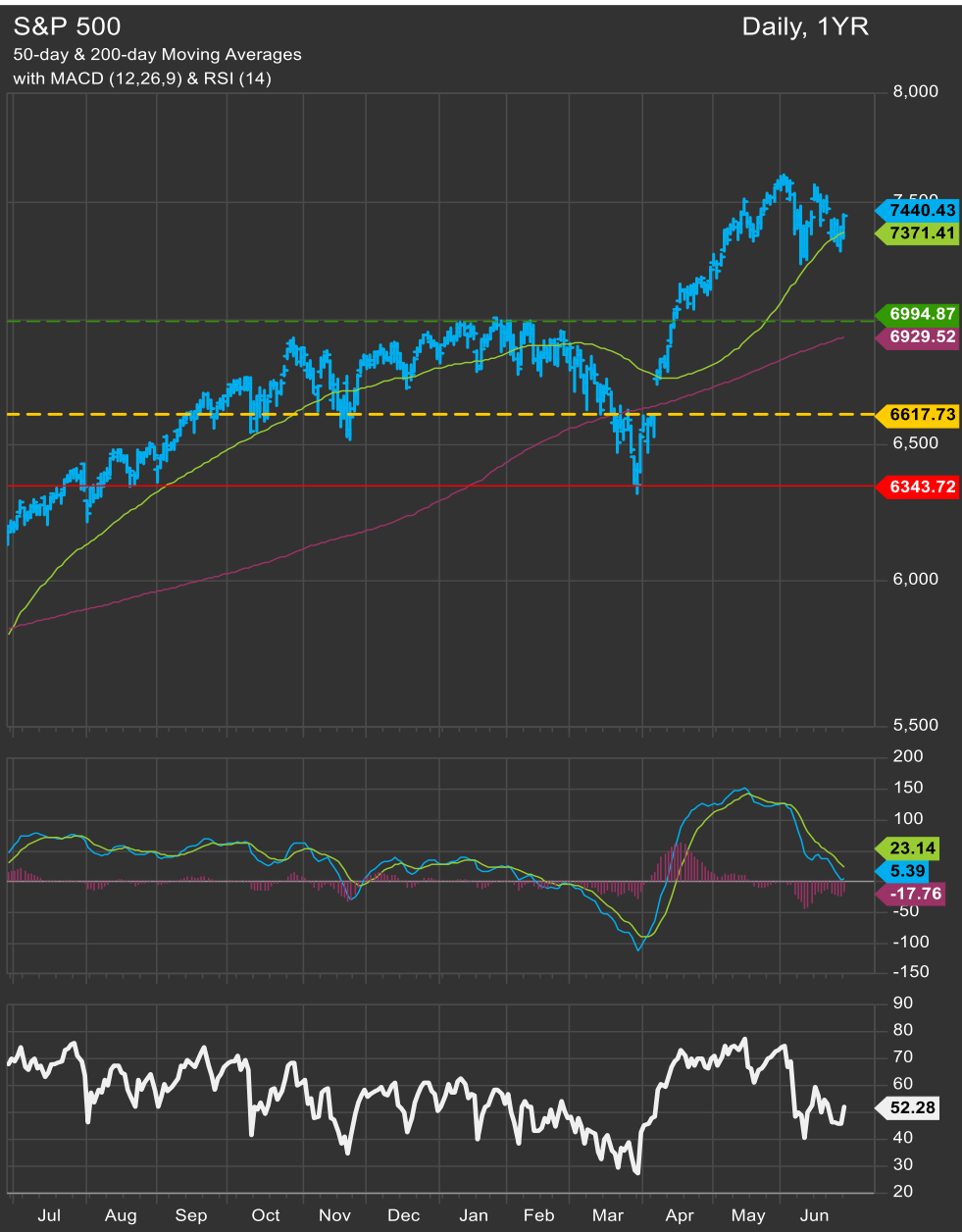


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Monthly Insights: July Outlook
S&P 500

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Sector Price Action & Performance Review: S&P 500



The S&P 500 enters July with a more complicated setup than it had entering June. June was not a broad risk-off month, but it was a clear challenge to the market's leadership profile. The cap-weighted S&P 500 proxy in the model fell **3.63%** in June, while the equal-weight S&P 500 gained **0.71%** and the Russell 2000 proxy gained **3.24%**. That divergence is the key message: investors were not abandoning equities, but they were rotating away from the most crowded mega-cap leadership and toward breadth, value, cyclicals, small caps and select defensives.

The macro backdrop remains nominally supportive but tactically less forgiving. May CPI rose **4.2% year over year**, while core CPI rose **2.9%**, and May PCE inflation rose **4.1%**, with core PCE at **3.4%**. The Fed held the target range at **3.50%–3.75%** on June 17, but inflation is no longer low enough to give investors a clean rate-cut narrative.

The Elev8 macro model's July message is constructive but more selective. Relative trend leadership still favors **Information Technology**, but the strongest June price action came from **Health Care, Financials, Utilities, Industrials, Real Estate and Staples**. That means July positioning should respect two realities at once: the AI-linked earnings cycle still matters, but broadening participation is now the healthier sign for the S&P 500.

July Outlook

Health Care deserves more attention in July, but the rationale should be framed correctly. The sector's June rally was not simply a policy trade. It was a rotation into defensive growth and rebound candidates, helped by CMS-related managed-care relief and stock-specific catalysts. Because the sector's headline earnings profile remains mixed, the better approach is selective exposure to companies with improving revisions, cleaner policy risk and constructive price patterns rather than a blanket defensive overweight.

Industrials and Financials remain important broadening sectors. Industrials benefit from manufacturing new orders, AI physical infrastructure, power demand, defense, aerospace, automation and reshoring. Financials benefit from resilient nominal growth and contained credit spreads, though the group still needs the yield curve and credit quality to remain stable. Utilities continue to serve a dual role: defensive income plus long-cycle electricity demand from data centers and grid investment.

The upside case is that Q2 earnings season confirms broadening. If Technology earnings remain strong, AI hardware demand holds, Health Care continues to attract rotation, and Financials/Industrials show durable cyclical demand without credit deterioration, the S&P 500 can recover June's drawdown and re-test prior highs.

The downside case is a renewed inflation and real-rate shock. If oil rebounds, CPI/PCE stay hot, or Fed communication becomes more hawkish, the market is likely to continue punishing high-multiple growth and consumer-facing cyclicals. In that scenario, Utilities, Staples, Health Care and select Real Estate should retain relative support, while Communication Services and weak-momentum Tech remain vulnerable.

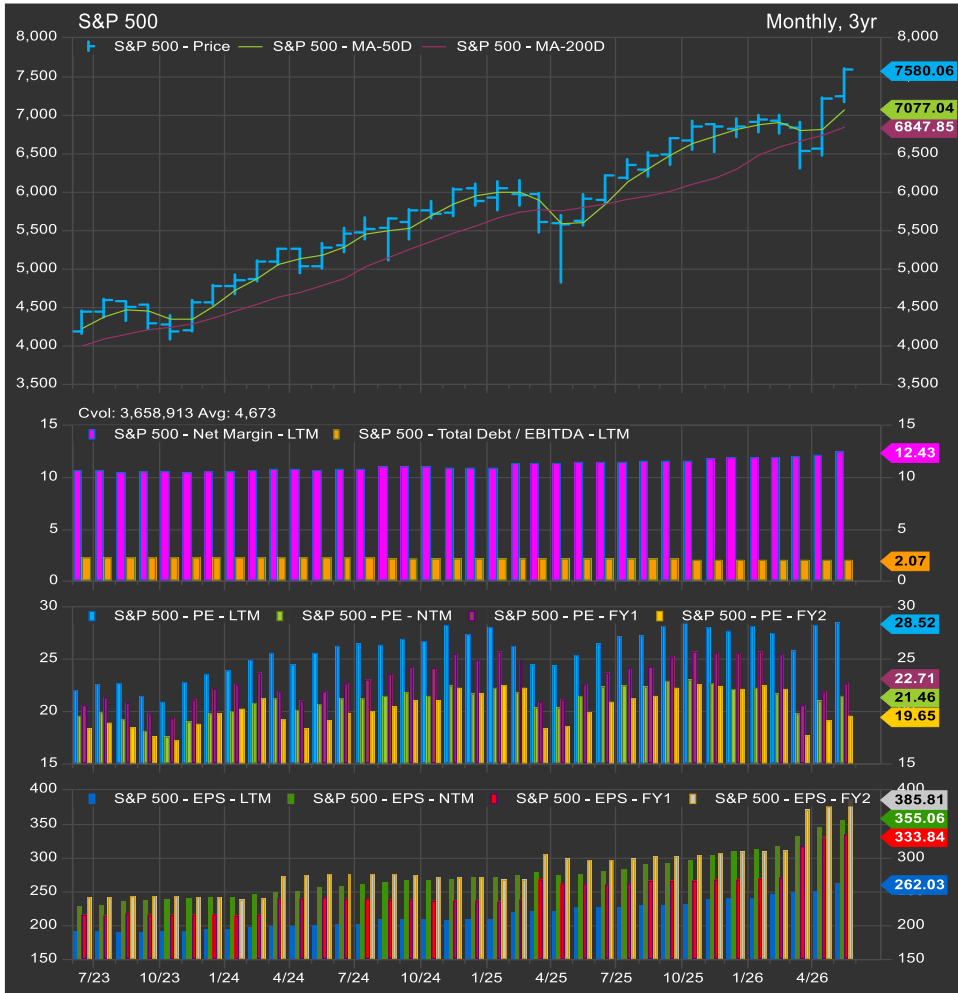
Bottom line: July is not a call to de-risk the S&P 500. It is a call to respect rotation. The market's healthiest path is no longer a single mega-cap AI chase; it is a broader advance where earnings leadership expands, commodity pressure stays contained, credit remains orderly and sector participation continues to improve.

Our Elev8 Sector Rotation Model Portfolio starts July with the following sector allocations:

Elev8 Model Positions: July 2026

	BMK Weight	Elev8 Model	+/-
VGT	39.70%	44.33%	4.63%
VNQ	1.82%	5.66%	3.84%
VFH	11.25%	14.70%	3.44%
VHT	8.40%	11.74%	3.34%
VIS	8.16%	11.39%	3.23%
VPU	2.12%	1.63%	-0.49%
VDC	4.65%	3.82%	-0.83%
VAW	1.84%	0.00%	-1.84%
VCR	9.52%	6.73%	-2.79%
VDE	3.22%	0.00%	-3.22%
VOX	9.32%	0.00%	-9.32%

Fundamentals: S&P 500



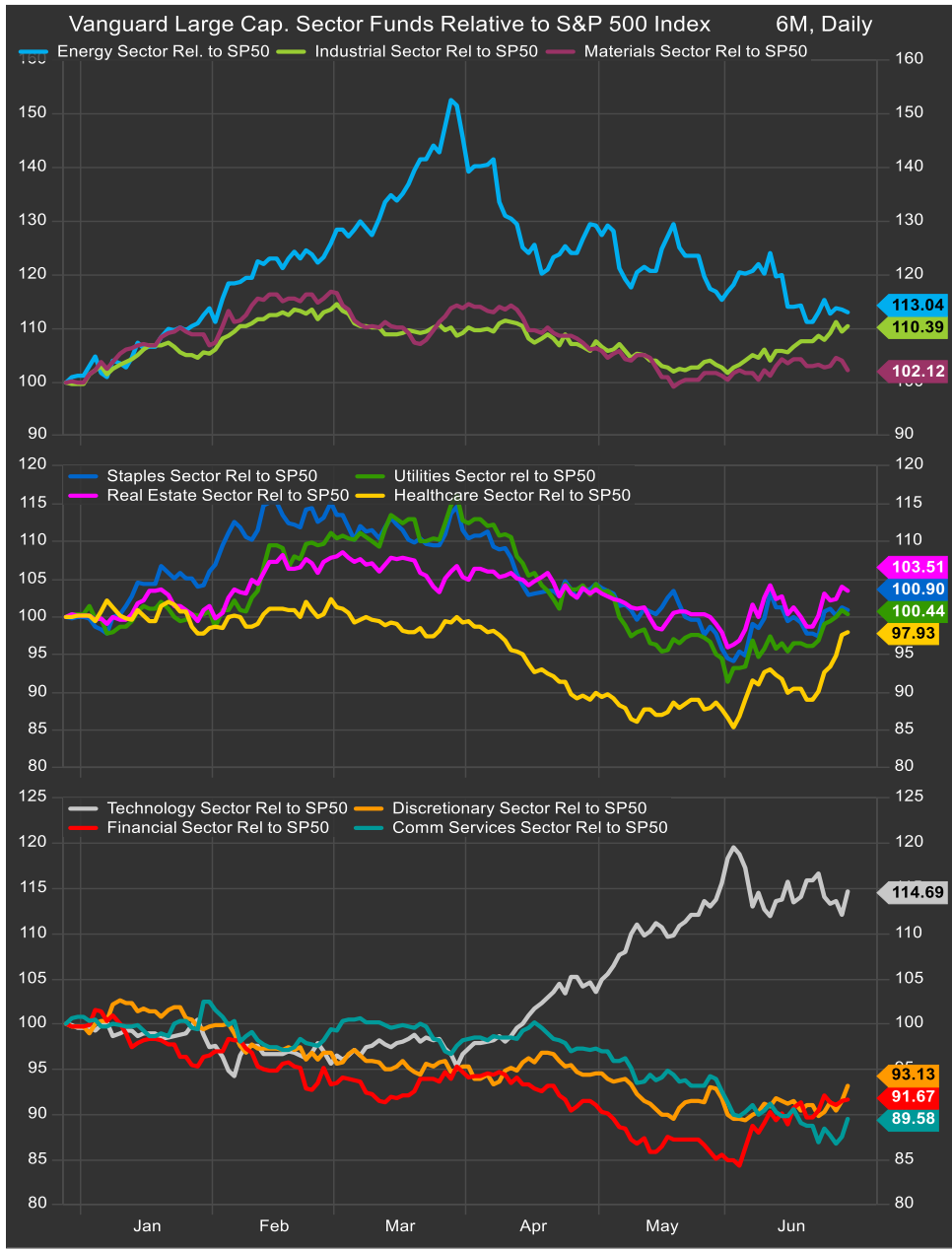
The fundamental backdrop remains the strongest argument for staying constructive on the S&P 500. FactSet’s June 26 Earnings Insight showed that Q2 earnings expectations continued to improve during the quarter. The estimated Q2 year-over-year earnings growth rate rose to **23.1%**, up from **18.8%** on March 31, and would mark a second straight quarter of earnings growth above 20% if achieved. Revenue growth expectations also improved, with Q2 revenue now expected to rise **12.3%**, compared with **9.5%** at the start of the quarter. The quality of earnings revisions matters. FactSet shows ten of eleven sectors expected to report year-over-year earnings growth in Q2, led by **Energy, Information Technology and Materials**. Technology remains central because the sector is expected to deliver **63.2%** earnings growth, with the Semiconductors & Semiconductor Equipment industry expected to grow earnings **131%**. FactSet notes that excluding semiconductors would reduce Technology’s expected earnings growth from **63.2%** to **25.7%**, which is still strong but much less dominant.

That explains the stock-level leadership. The top-performing Tech names are not generic software or IT services companies; they are concentrated in semicap equipment, memory, hardware and components. AMAT, MRVL, KLAC, SNDK, DELL, MU and GLW all fit the “AI physical infrastructure” theme. This is not the same as saying all Tech is working. The bottom 10 includes ACN, ORCL, ON, SMCI and CTSH, which shows that investors are separating direct AI infrastructure beneficiaries from companies facing valuation, execution or spending-efficiency questions.

The margin backdrop is also constructive but demanding. FactSet expects the S&P 500 Q2 net profit margin to be **14.2%**, below Q1’s **14.8%** but above the year-ago level and the five-year average. That means the market still has a strong earnings foundation, but the setup is less forgiving because valuations are already above normal: the forward 12-month P/E is **20.1x**, above the five-year average of **19.9x** and ten-year average of **19.0x**. Health Care’s June move needs nuance. FactSet still expects Health Care to post a **-9.0%** year-over-year Q2 earnings decline, making it the only sector expected to report negative earnings growth. However, FactSet attributes a large part of that drag to Gilead-related IPR&D charges; excluding Gilead, the sector would be expected to report **+7.1%** earnings growth instead of a decline. That supports the view that Health Care’s price rebound was not a simple “sector fundamentals are suddenly perfect” trade. It was a rotation into defensive growth, plus company-specific rebound stories, plus some policy-overhang relief.

Ticker	Sector / 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

Sector Performance and Cross Asset Model Sector Scores



Rank	Sector	Vanguard ETF	Profile	Score	July Read
1	Information Technology	VGT	Momentum / Trend	1.32	Still the strongest model signal, but leadership has narrowed toward AI hardware, semis and equipment.
2	Utilities	VPU	Oversold / Reversal	1.09	Defensive yield support plus long-term power demand tied to data centers and grid investment.
3	Financials	VFH	Momentum / Trend	0.79	Improving relative strength; credit spreads remain contained and nominal growth is still resilient.
4	Materials	VAW	Oversold / Reversal	0.73	Positive reversal score, but commodity price action weakened late in June.
5	Consumer Staples	VDC	Oversold / Reversal	0.46	Defensive bid improved as investors rotated away from high-multiple growth.
6	Industrials	VIS	Momentum / Trend	0.13	Broadening exposure tied to power, defense, automation, transportation and reshoring.
7	Health Care	VHT	Oversold / Reversal	-0.19	Best June price action, but the model still treats the signal as recovering rather than fully confirmed.
8	Real Estate	VNQ	Oversold / Reversal	-0.65	Rate relief helped, but property-quality and refinancing dispersion remain constraints.
9	Consumer Discretionary	VCR	Momentum / Trend	-0.88	Consumer affordability and real-income pressure limit conviction.
10	Energy	VDE	Momentum / Trend	-0.94	Still strong YTD, but June oil weakness damaged near-term leadership.
11	Communication Services	VOX	Momentum / Trend	-2.75	Weakest model score; platform weakness, media pressure and AI capex scrutiny remain headwinds.

Top 10 Stock Level Performers: S&P 500

Symbol	Company	Sector	Pattern	1M Excess	Valuation Rel.	Momentum	Div Yield Rel.	Beta
MRNA	Moderna, Inc.	Health Care	Bullish Reversal	+44.1%	—	45.0	0.00	0.43
TECH	Bio-Techne Corporation	Health Care	Bullish Reversal	+42.3%	1.72	27.3	0.32	1.56
AMAT	Applied Materials, Inc.	Information Technology	Uptrend	+42.1%	2.07	74.4	0.19	1.62
MRVL	Marvell Technology, Inc.	Information Technology	Uptrend	+32.9%	2.70	133.1	0.06	2.66
KLAC	KLA Corporation	Information Technology	Uptrend	+31.7%	2.42	55.5	0.20	1.51
SNDK	Sandisk Corporation	Information Technology	Uptrend	+30.0%	0.55	266.7	0.00	4.88
DELL	Dell Technologies, Inc. Class C	Information Technology	Uptrend	+28.7%	1.00	108.3	0.43	1.68
HUM	Humana Inc.	Health Care	Bullish Reversal	+27.3%	1.56	72.6	0.69	1.19
MU	Micron Technology, Inc.	Information Technology	Uptrend	+25.3%	0.41	166.5	0.04	3.00
GLW	Corning Inc	Information Technology	Uptrend	+23.7%	2.98	58.3	0.33	1.28

The top 10 list has two clear messages. First, the AI trade is still alive, but it has become more specific. Seven of the top 10 names are Information Technology, and most of them sit in semiconductors, semiconductor equipment, storage, hardware or electronic components. The average momentum score for the top 10 is roughly **101**, compared with about **2** for the full CSV universe, which shows that these are not early-stage bottoming patterns; most are established leadership names.

Second, Health Care leadership is more reversal-driven. Moderna, Bio-Techne and Humana are all **Bullish Reversal** patterns, not long-running uptrends. That distinction matters. Investors were buying Health Care because the group had lagged, positioning was lighter, and stock-specific catalysts improved. It was not a broad policy all-clear. Reuters also described the late-June tape as one in which chip stocks weakened while Moderna and other Health Care stocks rallied, consistent with the stock table's rotation signal.

The beta profile also helps explain the character of the move. The Tech winners include very high-beta names such as Sandisk, Micron and Marvell, while Moderna's beta is only **0.43** and Humana's is **1.19**. In other words, June's winners were not one homogeneous risk bucket. The market paid up for AI hardware beta, but it also rewarded defensive or idiosyncratic Health Care reversals.

Top 10/Bottom 10 Stock Level Performers: S&P 500

Symbol	Company	Sector	Pattern	1M Excess	Valuation Rel.	Momentum	Div Yield Rel.	Beta
CBOE	Cboe Global Markets Inc	Financials	Retracement	-26.8%	0.87	-23.8	0.95	0.26
ACN	Accenture Plc Class A	Information Technology	Downtrend	-25.0%	0.44	-43.3	3.70	0.75
ORCL	Oracle Corporation	Information Technology	Retracement	-24.4%	0.89	-18.1	0.93	2.06
ON	ON Semiconductor Corporation	Information Technology	Retracement	-24.1%	1.23	24.2	0.00	2.69
SMCI	Super Micro Computer, Inc.	Information Technology	Support	-23.2%	0.48	3.5	0.00	3.22
ECHO	EchoStar Corporation Class A	Communication Services	Retracement	-23.1%	3.85	-25.5	—	0.89
CTSH	Cognizant Technology Solutions Corporation Class A	Information Technology	Downtrend	-23.0%	0.34	-43.0	2.33	0.62
ALB	Albemarle Corporation	Materials	Retracement	-21.3%	0.53	-30.4	0.89	1.25
FOXA	Fox Corporation Class A	Communication Services	Retracement	-21.2%	0.43	-29.7	0.81	0.57
FOX	Fox Corporation Class B	Communication Services	Retracement	-19.8%	0.40	-28.1	0.90	0.61

The bottom 10 is a warning about the **wrong kind of Tech exposure**. Five of the ten laggards are Technology stocks, but they are not the same profile as the winners. Accenture and Cognizant are IT services names in downtrends with momentum scores near **-43**, which suggests the market is penalizing slower-growth, services-heavy exposure. Oracle and Super Micro are not in the same technical condition as the semiconductor leaders; Oracle is in retracement and Super Micro is sitting at support.

The Communication Services weakness is also important. EchoStar, Fox A and Fox B all appear in the bottom 10, and VOX is the weakest sector ETF in the model with a **-9.1%** one-month return and a **-2.75** sector selection score. That combination reinforces that the sector's problem is not just one stock; it is a broader mix of media weakness, platform pressure, regulatory risk and AI capital-spending concerns.

The bottom 10 also has a value trap feel. The average valuation multiple relative to the index is below the full universe average, but the average momentum score is deeply negative. In other words, cheapness alone did not protect stocks in June. The market wanted either visible earnings acceleration or clean defensive/reversal attributes. Stocks with low valuation multiples but deteriorating momentum were punished.

Economic & Policy Drivers: S&P 500

The Fed remains the key policy constraint for July. The June FOMC statement kept the policy rate at **3.50%–3.75%** and described economic activity as expanding at a solid pace, while also saying inflation remains elevated relative to the Committee’s 2% goal, partly because supply shocks have lifted prices in sectors including energy. That is a difficult mix for equities: the growth backdrop is strong enough to support earnings, but not weak enough to force a dovish Fed pivot.

The inflation data still look hot, but the forward commodity signal improved late in June. May CPI rose **4.2% year over year**, with energy up **23.5%** and gasoline up **40.5%**. May PCE inflation rose **4.1% year over year**, while core PCE was **3.4%**. That keeps real rates and valuation pressure relevant. However, the model’s commodity data show WTI down roughly **25% MTD through 6/26**, copper down about **6%**, gold down about **8%**, and the broad commodity index down about **10%**. Official inflation is still backward-looking hot; market pricing is beginning to send a cooler forward inflation signal.

Energy is therefore weakening near term, even though it remains a strong YTD sector. Reuters reported that oil prices fell sharply as supply concerns eased and more stranded tankers exited the Strait of Hormuz. For the S&P 500 ex-Energy, this is generally helpful because it reduces the inflation shock, improves the consumer and margin narrative, and supports rate-sensitive areas. For Energy itself, it is a direct momentum problem, which is why VDE fell **5.5%** over one month despite still being up **21.3%** over six months.

Metals are also weakening near term rather than strengthening. Copper and the broad commodity complex softened in June, which limits the immediate tailwind for Materials. The Materials sector’s model score is still positive because the chart has a reversal profile and earnings revisions have improved, but the sector is not receiving the same clean commodity confirmation it had earlier in the year.

Growth data remain constructive. ISM manufacturing improved to **54.0** in May, and new orders rose to **56.8**. ISM services also expanded, with new orders at **57.3**. Retail sales were stronger on a nominal basis, with May retail and food services sales up **0.9% month over month** and **6.9% year over year**. The caution is that retail sales are not adjusted for inflation, so strong nominal spending does not automatically mean strong real-volume growth.

The labor market is still supportive. May payrolls rose **172,000**, and the unemployment rate held at **4.3%**. The labor backdrop argues against a recessionary equity call, but it also reduces the urgency for the Fed to ease. That is why the S&P 500 can continue to grind higher on earnings, but volatility is likely to remain higher than it was during the cleanest part of the spring rally.

Health Care’s positive move is only partly policy related. CMS finalized 2027 Medicare Advantage and Part D payment policies that are projected to increase MA payments by **2.48%**, or more than **\$13 billion**, which helped reduce one managed-care uncertainty. But the broader sector move looks more like a combination of defensive growth rotation, company-specific rebounds, biotech/life-science strength and relief from prior underperformance. Policy helped at the margin; it was not the sole driver.

What Shaped the Market Narrative in June

The June narrative moved from “**AI can lift the whole index**” to “**AI needs earnings proof and spending discipline.**” Reuters noted that late-June global equities weakened as investors took profits in high-flying Technology and chip stocks, while crude prices slumped and Health Care and Real Estate gained. That describes the model data well: VGT corrected, VOX broke down more sharply, VHT surged, and VNQ improved.

The stock-level data sharpen that narrative. AI infrastructure winners remained highly rewarded, but AI-adjacent or AI-spending names were treated more skeptically. Reuters also reported that investors are increasingly distinguishing between AI “providers” and AI “spenders,” with hyperscaler borrowing and capex intensity becoming part of the market debate. That distinction should remain central in July earnings commentary.

Health Care became a haven, but not in a classic low-beta-only way. Moderna and Bio-Techne were high excess-return winners, while Humana benefited from managed-care relief and defensive rotation. At the same time, FactSet still expects headline Health Care earnings to decline year over year in Q2, so the move should be framed as **reversal and relief**, not as a clean sectorwide fundamental acceleration.

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

- **FactSet** Earnings Insight, June 26, 2026 — Q2 S&P 500 earnings-growth estimates, revenue-growth estimates, sector earnings expectations, margins, forward valuation and sector-level revision trends.
- **FactSet** S&P 500 Earnings Season Update, May 8, 2026 — Q1 S&P 500 earnings scorecard, EPS and revenue beat rates, earnings-growth context and sector contribution analysis.
- **ETFInsight** V8 Sector Model, June 26, 2026 — Vanguard sector ETF returns, RSI readings, sector selection scores, macro indicator readings, rates, credit, commodities, volatility and breadth data.
- **Federal Reserve** FOMC Statement, June 17, 2026 — policy-rate backdrop, inflation language, labor-market assessment, supply-shock discussion and Fed reaction-function context.
- **BLS** CPI, May 2026 — headline CPI, core CPI, energy, gasoline, electricity, food inflation and category-level inflation detail.
- **BEA** Personal Income and Outlays, May 2026 — PCE inflation, core PCE, real PCE, personal income, spending and household income backdrop.
- **BLS** Employment Situation, May 2026 — payrolls, unemployment rate, labor-market stability and sector hiring trends.
- **U.S. Census Bureau** Monthly Retail Trade Report, May 2026 — retail sales, food services, nonstore retail and nominal consumer-spending indicators.
- **ISM** Manufacturing PMI, May 2026 — manufacturing activity, new orders, production, employment, supplier deliveries and input-price pressures.
- **ISM** Services PMI, May 2026 — services activity, business activity, new orders, employment, prices and service-sector breadth.
- **CMS** 2027 Medicare Advantage and Part D Rate Announcement — Medicare Advantage payment update, managed-care policy read-through and Health Care sector policy-overhang analysis.
- **Reuters:** Oil prices and Strait of Hormuz shipping developments, June 2026 — crude-price reversal, supply-risk premium fading and Energy-sector momentum context.
- **Reuters:** Federal Reserve policy expectations, June 2026 — market expectations for Fed policy, inflation risk and rate-path debate.
- **Reuters:** AI capex, hyperscaler financing and debt issuance, June 2026 — AI infrastructure spending, funding pressure and “AI providers vs. AI spenders” market framework.
- **Reuters:** Oracle AI spending and debt concerns, June 2026 — software-sector read-through, AI capex skepticism and company-specific pressure in high-multiple Technology.
- **Reuters:** Late-June Technology and semiconductor selloff coverage, June 2026 — profit-taking in AI-linked equities, semiconductor volatility and rotation away from crowded growth leadership.
- **Vanguard** VOO Official Fund Profile — S&P 500 ETF reference data, fund structure, benchmark exposure and official Vanguard fund information.
- **Vanguard** Sector ETF Official Fund Pages — Vanguard sector ETF reference data, sector fund profiles and official ETF classification details.
- **StockAnalysis** VOO Historical Price Data — daily VOO closing prices, including 6/26 and 6/29 price verification.

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.