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## Monthly Insights: August Outlook
# Consumer Discretionary Sector

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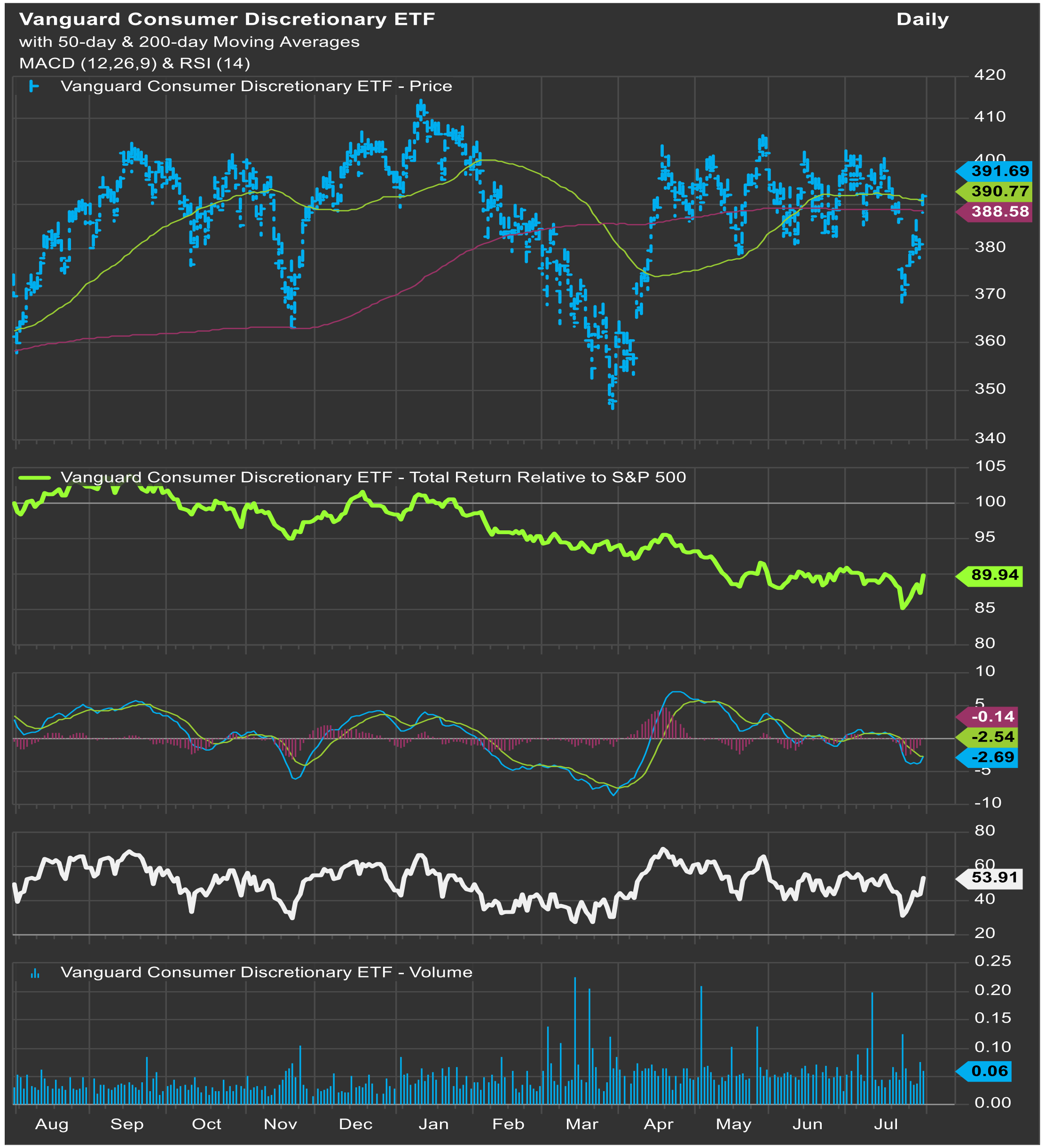
# Sector Price Action & Performance Review: Consumer Discretionary Sector




Consumer Discretionary enters August as a **selective recovery sector**, not a broad consumer-risk call. VCR's source proxy fell **4.2% over one month** and remains down **7.7% over six months**, so the sector's trend is still fragile. However, Amazon's post-report strength materially changed the sector read-through. AWS revenue rose **37%** to **$42.2B**, advertising revenue rose **26%**, and Amazon raised its 2026 capex plan to **$220B** as AI and cloud demand remained capacity-constrained. The market rewarded the report because it showed that heavy AI spending can still translate into revenue acceleration and backlog growth.

The industry-level tape is more constructive than the ETF return suggests. **Leisure Products, Distributors, Hotels/Restaurants & Leisure, Specialty Retail, Textiles/Apparel/Luxury Goods and Broadline Retail** all posted positive average one-month excess returns. Garmin, Domino's, Ross Stores, Best Buy, General Motors, Ulta, Expedia, Hasbro, Chipotle and Booking were the strongest stock-level performers.

The main sector drag is still concentration. Tesla remains the largest problem, with a **-25.8%** one-month excess return, a high valuation multiple and a negative momentum score. Homebuilders also remain pressured by rates and affordability, while Carvana, AutoZone, Home Depot and Aptiv appear in the bottom 10. That keeps the sector from becoming a high-conviction broad overweight even after Amazon improved the setup.

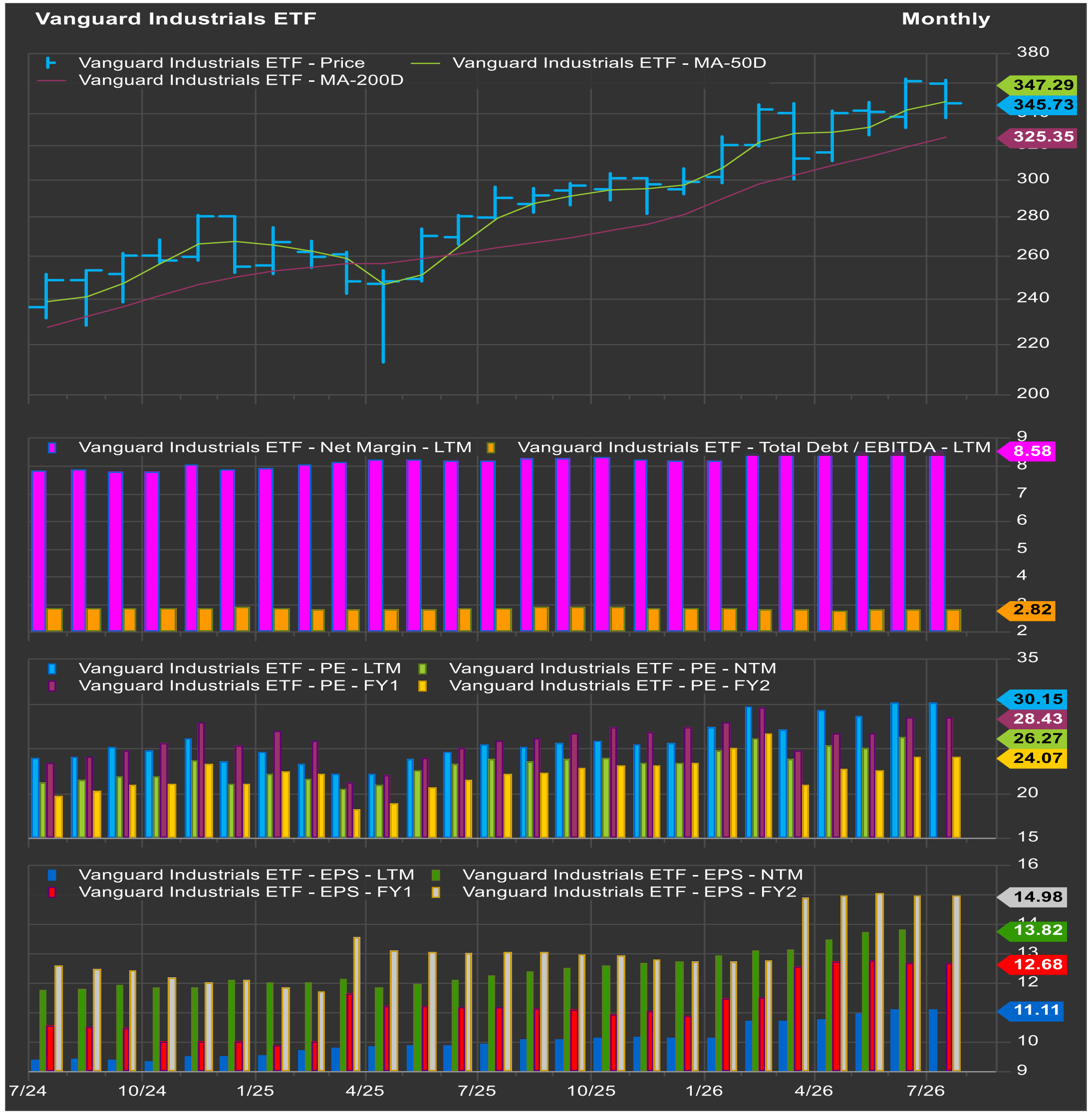
The August outlook for Consumer Discretionary is **modestly constructive but highly selective**. The Elev8 portfolio now holds VCR at **9.5%**, about **60 bp above benchmark**, because Amazon's quarter materially improved the sector read-through. However, the model score remains negative, the ETF's one-month and six-month returns remain weak, and several key industries are still rate-sensitive.

The best August opportunities are in **Broadline Retail, Specialty Retail, selected Hotels/Restaurants & Leisure, legacy Autos, and company-specific Household Durables**. Amazon, Ross, Best Buy, Ulta, Expedia, Booking, GM, Ford, Garmin and Hasbro best represent the constructive side of the sector.

The weakest areas are **Tesla, homebuilders, high-beta auto retail, home improvement and cruise/casino cyclicals**. These groups remain exposed to real rates, gasoline, consumer affordability, credit conditions and earnings volatility.

**We start August with a market-weight allocation of +0.56% in our Elev8 Sector Rotation Model Portfolio to the Consumer Discretionary Sector vs. the S&P 500 benchmark**

# Fundamentals: Consumer Discretionary Sector




The Consumer Discretionary fundamental backdrop is mixed but improving after Amazon. FactSet's late-July S&P 500 update showed the broader market delivering strong Q2 earnings, with blended index earnings growth rising to **37.9%** and revenue growth running at **13.2%**. The market is rewarding companies that can show visible earnings delivery rather than just cyclical exposure.

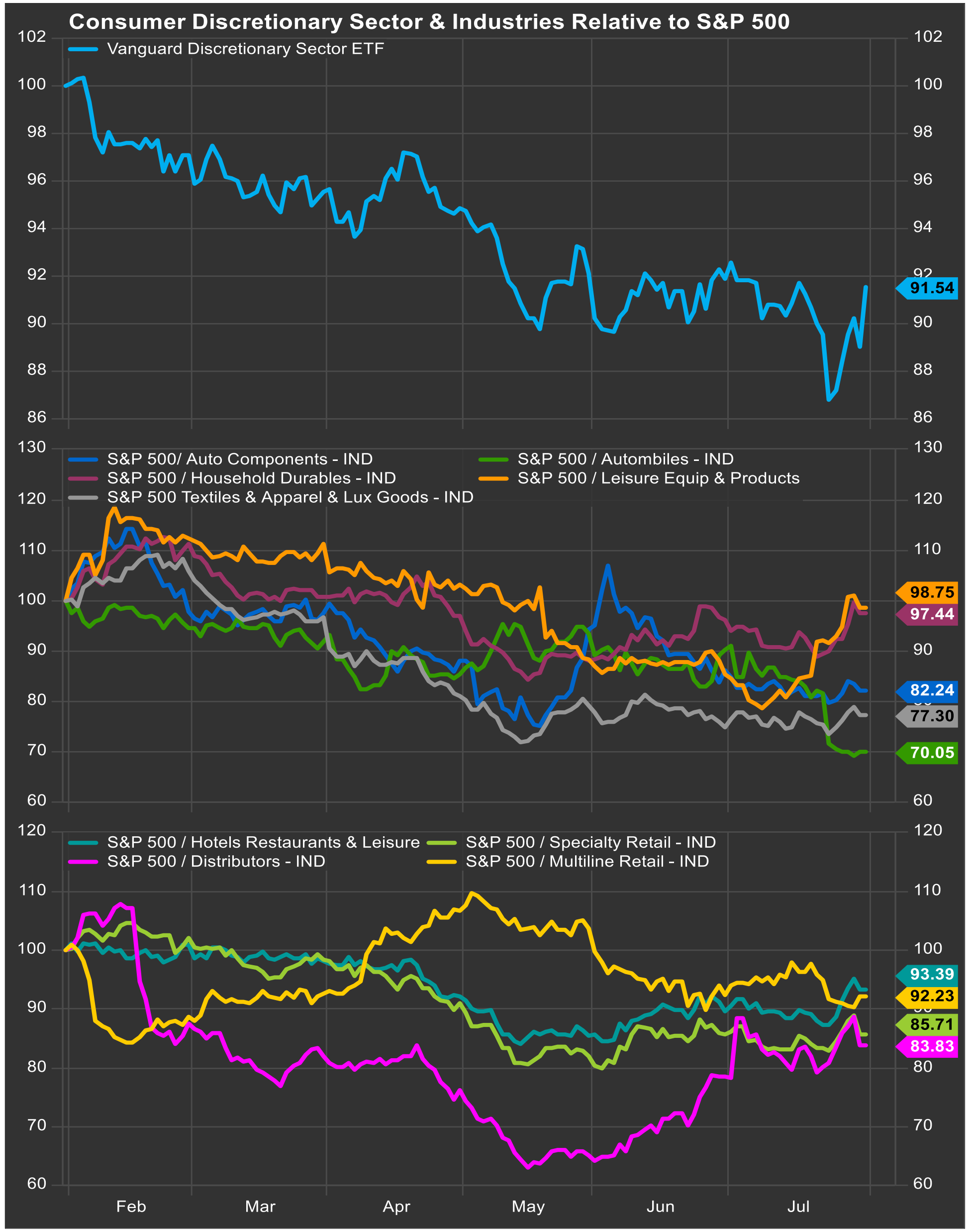
Amazon is now the central sector fundamental catalyst. Its Q2 report showed **$200.6B** in sales, strong AWS acceleration, a large AWS backlog and a higher capex plan tied to AI demand. The report helps the Consumer Discretionary sector because Amazon is both the largest sector constituent and a major test case for whether high AI investment can drive cloud and platform growth.

The consumer backdrop remains steady, but affordability pressure persists. June retail sales were positive, real PCE rose, and autos were firm. However, the saving rate fell to **2.7%**, fuel prices rebounded in July, and high real yields continue to pressure housing and auto affordability. New home sales were **628,000** in June, up **1.6%** from May but down **5.6%** from a year earlier; supply remained elevated at **9.3 months**, and the median new-home price fell to **$398,300**. That is a housing stabilization signal, not a housing acceleration signal.

Auto fundamentals are split. GM raised its 2026 guidance and highlighted resilient U.S. demand for pickups and SUVs, with Q2 core profit up **30%** year over year. That supports GM and Ford-style legacy auto exposure. Tesla is a different story: even after stronger-than-expected Q2 deliveries, the stock remains pressured by valuation, EV demand uncertainty, incentive risk and AI/robotaxi spending.

| ETF | Price | 1D | 1W | 1M | 3M | 6M | RSI |
|---|---|---|---|---|---|---|---|
| VOO | $741.69 | +1.7% | +0.5% | -0.7% | +4.2% | +6.7% | 49.2 |
| VCR | $112.39 | +0.7% | +3.3% | -4.2% | -3.8% | -7.7% | 44.1 |

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




| Indicator | Latest Reading | July Message | Investment Interpretation |
|---|---|---|---|
| Elev8 Consumer Discretionary score | **-1** | Slightly negative | Model score is still below neutral, but no longer a zero-weight signal. |
| Elev8 Consumer Discretionary rank | **7 / 11** | Middle-lower | Sector ranks ahead of Materials, Staples, Utilities and Communication Services. |
| Elev8 pattern | **Consolidation** | Unresolved | Price structure has stabilized but has not become leadership. |
| VCR Elev8 weight | **9.5%** | Modest overweight | Portfolio moved VCR slightly above benchmark. |
| VCR active weight | **+0.6%** | Small positive exposure | Amazon's quarter helped repair the sector map. |
| VCR 1M return | **-4.2%** | Weak | Sector still lagged the S&P 500. |
| VCR 3M return | **-3.8%** | Weak | Intermediate trend remains below average. |
| VCR 6M return | **-7.7%** | Negative | Longer-term setup is still fragile. |
| VCR RSI | **44.1** | Soft / neutral | No longer collapsing, but not a strong momentum signal. |
| Real PCE | **+0.4% m/m** | Supportive | Consumer spending remains resilient. |
| Saving rate | **2.7%** | Pressure point | Consumers are spending, but with less cushion. |
| 10Y real yield | **2.41%** | Restrictive | Pressure on housing, autos and high-multiple consumer growth. |
| WTI crude | **$83.59** | Cost headwind | Higher fuel prices pressure travel, autos and lower-income consumers. |

# Top 10 Stock Level Performers: Consumer Discretionary Sector

| Symbol | Company | Sector | Industry | Pattern | 1M Excess | Valuation Rel. | Momentum | Div Yield Rel. | Beta |
|---|---|---|---|---|---|---|---|---|---|
| GRMN | Garmin | Consumer Discretionary | Household Durables | Consolidation | +26.0% | 1.47 | 23.8 | 0.99 | 0.94 |
| DPZ | Domino’s Pizza | Consumer Discretionary | Hotels, Restaurants & Leisure | Downtrend | +19.8% | 0.91 | 2.2 | 1.61 | 0.61 |
| ROST | Ross Stores | Consumer Discretionary | Specialty Retail | Consolidation | +19.4% | 1.59 | 15.0 | 0.51 | 0.77 |
| BBY | Best Buy | Consumer Discretionary | Specialty Retail | Consolidation | +16.5% | 0.67 | 32.9 | 3.17 | 1.26 |
| GM | General Motors | Consumer Discretionary | Automobiles | Consolidation | +15.5% | 0.32 | 10.1 | 0.58 | 1.06 |
| ULTA | Ulta Beauty | Consumer Discretionary | Specialty Retail | Support | +15.3% | 0.88 | -4.7 | 0.00 | 1.18 |
| EXPE | Expedia | Consumer Discretionary | Hotels, Restaurants & Leisure | Bullish Reversal | +15.2% | 0.70 | 12.6 | 0.35 | 1.14 |
| HAS | Hasbro | Consumer Discretionary | Leisure Products | Consolidation | +15.2% | 0.77 | 2.5 | 2.11 | 0.60 |
| CMG | Chipotle Mexican Grill | Consumer Discretionary | Hotels, Restaurants & Leisure | Support | +14.1% | 1.57 | 7.4 | 0.00 | 0.68 |
| BKNG | Booking Holdings | Consumer Discretionary | Hotels, Restaurants & Leisure | Consolidation | +9.2% | 0.87 | 6.4 | 0.56 | 0.72 |

The top 10 Consumer Discretionary list is a **selective execution and recovery list**. Garmin, Domino’s, Ross Stores, Best Buy, GM, Ulta, Expedia, Hasbro, Chipotle and Booking all outperformed, but the drivers are different. Garmin is company-specific execution. Ross and Best Buy are value / category recovery. GM is auto earnings resilience. Expedia and Booking are travel-platform strength. Domino’s and Chipotle are restaurant-specific stories.

Ross is a clean example of the value/off-price theme. The company opened **47** new stores in June and July and remains on track to open roughly **110** stores in 2026, reinforcing the market’s appetite for off-price retail and trade-down beneficiaries.

The top table has three useful signals. First, value and execution are being rewarded: GM, Best Buy, Expedia, Hasbro and Domino’s all trade below the index valuation multiple. Second, travel platforms are stronger than cruise/casino cyclicals, suggesting investors prefer asset-light demand capture over higher fixed-cost travel beta. Third, the top table is not dominated by Amazon or Tesla, which means the sector’s best opportunities are stock-specific.

Domino’s illustrates the selectivity. Q2 global retail sales rose **3.0%** excluding currency, U.S. same-store sales rose only **0.1%**, and international same-store sales declined **0.1%** excluding currency. The stock’s rebound is therefore an expectations/reset trade rather than a broad restaurant-demand boom.

# Bottom 10 Stock Level Performers: Consumer Discretionary Sector

| Symbol | Company | Sector | Industry | Pattern | 1M Excess | Valuation Rel. | Momentum | Div Yield Rel. | Beta |
|---|---|---|---|---|---|---|---|---|---|
| TSLA | Tesla | Consumer Discretionary | Automobiles | Consolidation | -25.8% | 7.81 | -26.2 | 0.00 | 1.62 |
| NCLH | Norwegian Cruise Line | Consumer Discretionary | Hotels, Restaurants & Leisure | Consolidation | -10.6% | 0.56 | -7.9 | 0.00 | 1.62 |
| DHI | D.R. Horton | Consumer Discretionary | Household Durables | Bullish Reversal | -9.9% | 0.65 | -9.1 | 0.88 | 1.43 |
| NVR | NVR | Consumer Discretionary | Household Durables | Consolidation | -6.9% | 0.84 | -9.1 | 0.00 | 0.84 |
| LEN | Lennar | Consumer Discretionary | Household Durables | Downtrend | -6.1% | 0.70 | -12.9 | 1.70 | 1.56 |
| CVNA | Carvana | Consumer Discretionary | Specialty Retail | Consolidation | -5.9% | 1.63 | -20.9 | 0.00 | 3.29 |
| PHM | PulteGroup | Consumer Discretionary | Household Durables | Bullish Reversal | -5.4% | 0.62 | -1.5 | 0.54 | 1.18 |
| AZO | AutoZone | Consumer Discretionary | Specialty Retail | Retracement | -5.2% | 0.90 | -18.0 | 0.00 | 0.24 |
| HD | Home Depot | Consumer Discretionary | Specialty Retail | Consolidation | -4.7% | 1.11 | -5.6 | 1.98 | 1.07 |
| APTV | Aptiv | Consumer Discretionary | Automobile Components | Consolidation | -4.6% | 0.47 | -8.4 | 0.00 | 0.99 |

The bottom table explains why the sector overweight should stay modest. Tesla is the biggest drag, with a **-25.8%** one-month excess return and a valuation multiple well above the index. Housing-related names also remain weak: D.R. Horton, NVR, Lennar and PulteGroup all appear in the bottom 10. Higher real yields and still-elevated mortgage rates continue to pressure the homebuilder trade.

Amazon no longer appears in the bottom table after its strong quarter, which is the main reason the sector view improves. But Tesla, homebuilders, Carvana, AutoZone, Home Depot and Aptiv show that the sector still has multiple unresolved weak spots.

The weakest groups are **Tesla-led Autos, homebuilders, used-car retail, auto parts and home improvement**. This is exactly where high real rates, credit sensitivity and housing affordability show up most directly. New-home data are stabilizing, but they are not strong enough to offset elevated supply and affordability pressure.

Tesla requires its own treatment. The company posted stronger-than-expected Q2 deliveries, but the stock still underperformed because investors remain focused on valuation, U.S. sales pressure, EV incentive uncertainty, inventory drawdown, robotaxi expectations and capital allocation. Strong deliveries were not enough to fix the equity story.

# Economic & Policy Drivers: Consumer Discretionary Sector

**Broadline Retail**

Broadline Retail is the most important change in the sector. Amazon’s strong quarter repaired the biggest ETF-level concern: AWS accelerated, advertising grew, retail execution improved, and the market accepted the higher AI capex plan because the demand signal was strong. That moves VCR from underweight/avoid toward a modest overweight.

**August read:** improving. Amazon supports the sector, but this remains an AI/cloud/platform story as much as a consumer-spending story.

**Specialty Retail**

Specialty Retail is selective. Ross, Best Buy and Ulta were all strong, while Carvana, AutoZone, Home Depot and Lowe’s were weak. That split shows investors favoring value/off-price, electronics stabilization and stock-specific recovery over rate-sensitive home improvement or high-beta auto retail.

**August read:** selective positive. Favor off-price/value and category leaders; be cautious on home improvement and high-beta retail until housing improves.

**Hotels, Restaurants & Leisure**

Hotels, Restaurants & Leisure had positive average performance, but the internal split is important. Domino’s, Expedia, Chipotle and Booking outperformed, while Norwegian Cruise, MGM and Carnival lagged. Asset-light travel platforms and restaurants with company-specific catalysts are working better than cruises/casinos.

Travel risk is rising because oil has rebounded and Middle East disruptions are affecting global travel. Reuters reported that Amadeus trimmed its 2026 revenue outlook as the Iran war hit bookings and cancellations, while IATA reduced its 2026 passenger-demand growth forecast.

**August read:** selective. Favor booking platforms and restaurants with execution catalysts; be more cautious on cruises and casinos.

**Automobiles**

Autos are bifurcated. GM and Ford are constructive, while Tesla remains the major drag. GM raised full-year 2026 guidance for the second time, citing resilient U.S. demand for pickups and SUVs, strong pricing and lower EV losses.

Tesla remains difficult because it is not just an auto stock; it is also a high-multiple AI, robotaxi and EV policy stock. The updated model data show Tesla with the worst one-month excess return in the sector.

**August read:** favor legacy automakers with earnings support and low valuation; avoid treating Tesla weakness as a normal auto-cycle signal.

**Household Durables**

Household Durables are split between Garmin and homebuilders. Garmin’s stock-level leadership shows the sector can reward company-specific execution, but homebuilders remain pressured. New-home sales improved modestly in June, but sales were still down year over year, months’ supply remained elevated at **9.3**, and median prices fell.

**August read:** cautious on homebuilders; constructive only on company-specific winners.

**Textiles, Apparel & Luxury Goods**

Apparel and luxury are stabilizing, but not leading. Ralph Lauren, Tapestry and Deckers have better profiles than Nike and Lululemon, which remain weaker from a chart-pattern standpoint. The group remains exposed to tariffs, inventory risk, promotions and a value-conscious consumer.

**August read:** selective only. Favor companies with cleaner momentum and brand pricing power.

**Distributors and Leisure Products**

Genuine Parts and Hasbro both worked. These are smaller industries, but they provide defensive/value recovery exposure with dividend support. They are useful stock-specific opportunities, not sector-level drivers.

**August read:** constructive within their niches, but too small to drive VCR.

**What Shaped the Consumer Discretionary Narrative in July**

The first major narrative was **Amazon repair**. Amazon’s strong quarter improved the sector’s largest constituent and reduced the risk that Consumer Discretionary would be held back by platform capex skepticism. The report also helped the broader AI/cloud debate because AWS growth and backlog provided direct evidence of monetization.

The second narrative was **resilient but stretched consumers**. Retail sales and real PCE are still positive, but savings are thin and higher oil prices threaten to pressure wallets again. That supports selective exposure rather than broad cyclicality.

The third narrative was **value and execution leadership**. Ross, Best Buy, GM, Garmin, Expedia and Domino’s show that investors are willing to buy consumer exposure when valuation, execution or category leadership are visible.

The fourth narrative was **housing and Tesla weakness**. The sector cannot become a high-conviction overweight until Tesla stabilizes and homebuilders stop lagging. Housing data are showing price and inventory adjustment, but not enough demand acceleration to call a new housing cycle.

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

**ETFInsight / Myrtle Tree Investment Research** Macro Technical Model, July 30, 2026 — SPDR proxy data, macro regime index, growth/inflation/liquidity/risk pillars, rates, real yields, commodities, volatility and breadth.

**ETFInsight / Myrtle Tree Investment Research** Elev8 Model Positions, July 31, 2026 — Vanguard sector fund implementation weights, benchmark weights, active weights and sector selection scores.

**FactSet** 20260731_SP50_Stock_Data.xlsx — Consumer Discretionary stock-level excess return, valuation multiple relative to index, momentum score, dividend-yield multiple, beta, industry and chart pattern.

**FactSet** S&P 500 Earnings Season Update, July 24, 2026 — Q2 S&P 500 earnings scorecard, sector earnings growth, revenue growth, earnings surprises and valuation backdrop.

**Amazon / Reuters** Q2 2026 earnings coverage, July 30, 2026 — AWS growth, advertising growth, capex plan, backlog, AI/cloud demand and free-cash-flow pressure.

**U.S. Census Bureau** Monthly Retail Trade Report, June 2026 — retail sales, food services, nonstore retail, motor vehicles and nominal consumer-spending indicators.

**BEA / Reuters** Personal Income and Outlays, June 2026 — consumer spending, real PCE, income, saving rate, PCE inflation and core PCE inflation.

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

**General Motors** Q2 2026 shareholder letter and earnings materials — raised guidance, pickup/SUV demand, pricing, margins, EV losses and capital discipline.

**Tesla / Reuters** Q2 2026 deliveries coverage — vehicle deliveries, EV demand, U.S. sales pressure, incentive risk and inventory drawdown.

**Ross Stores** June–July 2026 store expansion release — 47 new stores, off-price retail expansion and 2026 unit-growth plans.

**Domino's Pizza** Q2 2026 earnings release — global retail sales, U.S. same-store sales, international same-store sales and restaurant-demand context.

**Reuters / Amadeus** travel demand coverage, July 31, 2026 — Middle East conflict impact, travel booking pressure, IATA passenger-demand reduction and travel-platform risk.

# 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

**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

**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**