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Monthly Insights: August Outlook

Communication Services Sector

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Sector Price Action & Performance Review: Communication Services Sector

Communication Services enters August with weak intermediate-term price action and a sharp divergence between its mega-cap platforms and lower-multiple industries. The XLC source proxy declined 0.5% over one month, approximately in line with the S&P 500, but fell 7.6% over three months and 8.7% over six months. That represents three- and six-month underperformance of approximately **11.8 and 15.4 percentage points**, respectively.

The source proxy closed at $106.58, approximately **4.0% below its 50-day moving average** and **6.8% below its 200-day moving average**. RSI is 40.7, indicating weak momentum but not a deeply oversold condition. The first recovery objective is the 50-day average near $111; a more durable technical reversal would require a move above the 200-day average near $114.

Telecom, publishing, advertising and broadcasting produced the best July stock performance. AT&T, Verizon, News Corp., Fox and Omnicom led the sector. Interactive Media & Services was the principal drag, with Alphabet and Meta underperforming despite strong underlying digital-advertising demand.

Amazon's strong quarter improved the broader AI monetization narrative—AWS grew 37% and advertising grew 26%—but it also raised the competitive hurdle for Communication Services companies. Amazon demonstrated a clearer revenue path from AI infrastructure than Meta, while remaining an important competitor in advertising, streaming and sports distribution.

The August outlook is underweight / no allocation. Communication Services contains investable stocks and improving industry pockets, but the broad sector has the weakest combination of relative strength, stock ratings and industry technicals in the Elev8 portfolio.

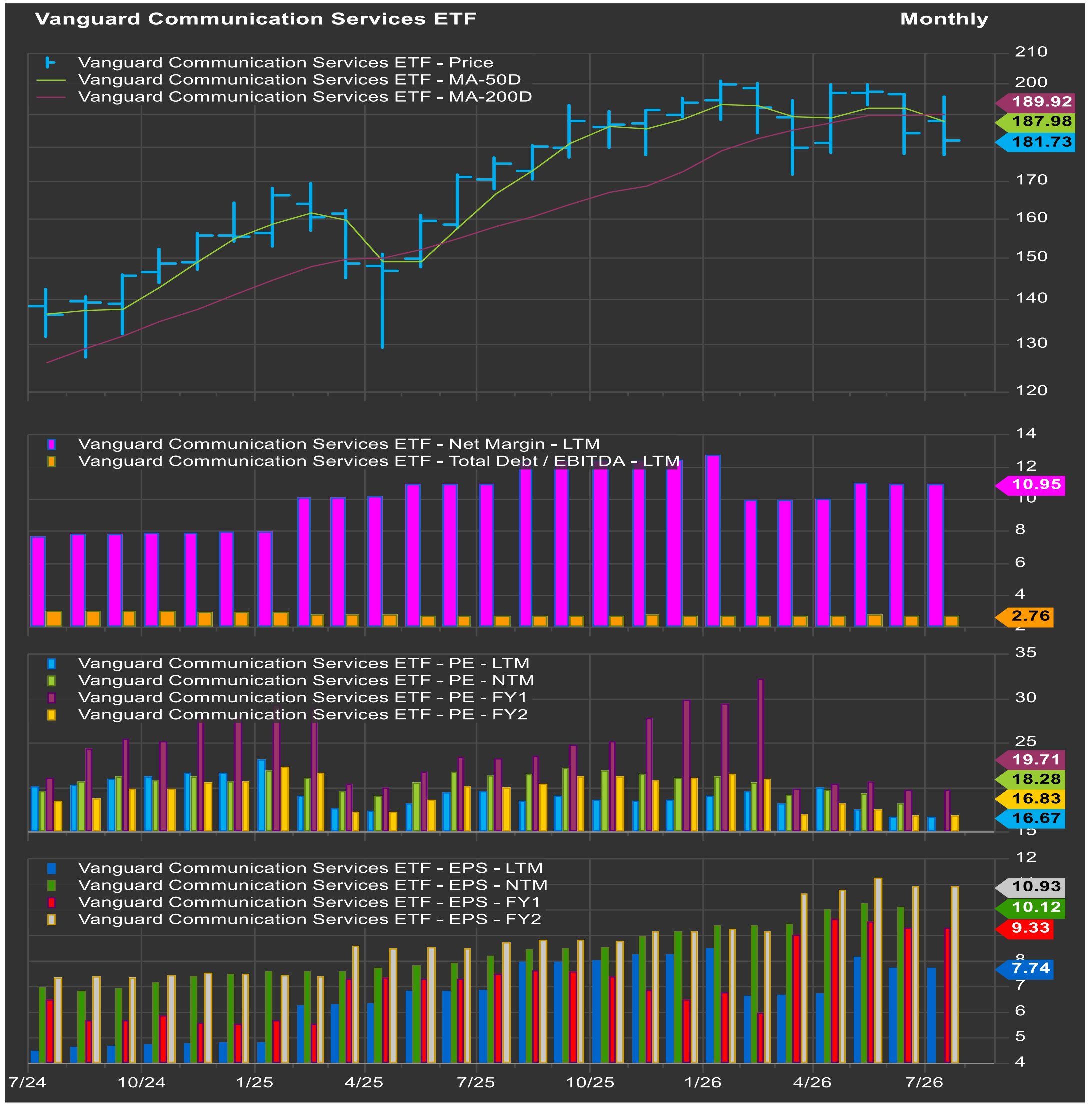
The best opportunities are concentrated in Alphabet Class A as the sector's preferred Buy-rated platform exposure; Live Nation as a Buy-rated bullish reversal candidate; AT&T and Verizon as improving telecom and free-cash-flow stories; select streaming companies with established profitability; and publishing or broadcasting names where valuation support aligns with identifiable catalysts.

The weaker areas include Meta until free-cash-flow conversion and capital-spending visibility improve; Paramount Skydance and Warner Bros. Discovery while litigation delays the transaction; cable companies facing persistent subscriber pressure and bearish technical patterns; EchoStar and other balance-sheet-sensitive laggards; and broad VOX exposure while mega-cap leadership and industry breadth remain wea

We start Augustus out of the Comm. Services Sector with an underweight allocation of -9.72% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

7/31/2026

Fundamentals: Communication Services Sector



The Communication Services fundamental backdrop is stronger than the sector's price trend, but earnings quality varies materially by business model. Digital advertising, streaming revenue and connectivity demand remain healthy. The allocation problem is the amount of capital, leverage and regulatory risk attached to that growth.

Alphabet delivered the strongest operating growth among the sector's major platforms. Second-quarter revenue increased 24%, Search and Other revenue grew 17%, YouTube advertising rose 13%, and Cloud revenue increased 82%. Cloud backlog reached $514 billion. These results confirm that AI is supporting demand across Search, YouTube and Cloud, even though Alphabet's stock weakened during July.

Meta's advertising business was also strong: revenue rose 28%, ad impressions increased 14%, and average price per ad increased 12%. The earnings conversion was much weaker. Costs and expenses rose 55%, operating margin fell to 31% from 43%, capital expenditures reached $31.08 billion, and free cash flow declined to $784 million. Meta narrowed its 2026 capex outlook to $130–$145 billion.

Netflix reported 13% revenue growth and a 33.4% operating margin. Revenue growth was supported by memberships, pricing and advertising. The margin was slightly below the prior-year quarter but remained among the strongest in traditional entertainment and streaming.

Telecom fundamentals improved materially. AT&T added 432,000 postpaid phone customers and 646,000 advanced-connectivity internet customers while generating $4.7 billion of free cash flow. Verizon added 184,000 postpaid phone customers, reported 348,000 broadband additions and increased quarterly free cash flow 24.4%. Those results support the July relative strength in T and VZ.

Comcast's results were mixed but strategically constructive. Wireless line additions reached a record 448,000, Peacock generated $189 million of quarterly EBITDA and became profitable for the first time, and consolidated free cash flow rose 2.3%. Domestic broadband still lost 167,000 customers, demonstrating that wireless and streaming improvement have not eliminated legacy connectivity pressure.

ETF	Price	1D	1W	1M	3M	6M	RSI
VOO	$741.69	+1.7%	+0.5%	-0.7%	+4.2%	+6.7%	49.2
VOX	$106.58	-2.7%	+1.1%	-0.5%	-7.6%	-8.7%	40.7

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

Indicator	Latest Reading	July Message	Investment Interpretation
Elev8 Communication Services score	**-6**	Strongly negative	Model does not support VOX exposure.
Elev8 Communication Services rank	**T-10 / 11**	Tied last	Sector is tied with Utilities for the weakest output score.
Elev8 pattern	**Downtrend**	Negative price structure	Intermediate-term underperformance remains intact.
VOX active weight	**-9.72%**	Largest underweight	Underweight helps fund higher-ranked sectors.
VOX 1M return	**-0.5%**	Stabilizing	Near-term performance improved but did not establish leadership.
VOX 3M return	**-7.6%**	Weak	Sector materially underperformed the broader market.
VOX 6M return	**-8.7%**	Weak	Longer-term trend remains unfavorable.
VOX RSI	**40.7**	Weak / not oversold	No confirmed momentum reversal.
Macro Regime Index	**62.0%**	Constructive	Broad conditions are supportive, but the sector is not capturing the risk-on backdrop.
Macro regime	**Mixed / Transition**	Neutral risk bias	Relative strength and stock selection remain more important than broad beta.
63-day relative strength vs. SPY	**-11.3%**	Bottom-tier	One of the weakest sector-relative readings in the macro model.
10-year real yield	**2.41%**	Restrictive	Pressures platform valuations and leveraged telecom/media balance sheets.
Rates trend input	**-1**	Negative	Higher yields are an allocation headwind.
U.S. dollar trend input	**-1**	Negative	Stronger-dollar conditions can pressure translated international revenue.

Top 10 Stock Level Performers: Communication Services Sector

Symbol	Company	Industry	Pattern	1M Excess	Valuation Rel.	Momentum	Div Yield Rel.	Beta
T	AT&T	Diversified Telecommunication Services	Retracement	**+14.4%**	0.49	-5.9	3.41	-0.15
NWS	News Corp. Class B	Media	Consolidation	**+14.1%**	1.28	+3.6	0.45	0.80
NWSA	News Corp. Class A	Media	Consolidation	**+13.9%**	1.13	+5.1	0.51	0.82
FOXA	Fox Corp. Class A	Media	Retracement	**+13.5%**	0.52	-6.7	0.69	0.63
FOX	Fox Corp. Class B	Media	Retracement	**+12.5%**	0.47	-7.6	0.78	0.66
VZ	Verizon Communications	Diversified Telecommunication Services	Consolidation	**+11.5%**	0.47	+0.4	4.37	0.11
OMC	Omnicom Group	Media	Downtrend	**+10.1%**	0.36	+3.3	3.10	0.59
TMUS	T-Mobile US	Wireless Telecommunication Services	Support	**+4.1%**	0.71	-9.7	1.70	0.07
NFLX	Netflix	Entertainment	Retracement	**+3.2%**	1.02	-15.7	0.00	0.84
EA	Electronic Arts	Entertainment	Consolidation	**+3.0%**	1.20	0.0	0.26	0.31

The top table is primarily a **telecom, publishing, broadcasting and value-recovery list**. AT&T and Verizon combined improving fundamentals with low valuation and strong dividend support. News Corp. and Fox also benefited from lower expectations and company-specific media exposure.

The caution is chart quality. AT&T, Fox and Netflix remain in Retracement patterns; News Corp., Verizon and Electronic Arts remain in Consolidation; and Omnicom is still classified as a Downtrend. July’s leadership improved breadth, but it did not create a clean sector-wide momentum signal.

Bottom 10 Stock Level Performers: Communication Services Sector

Symbol	Company	Industry	Pattern	1M Excess	Valuation Rel.	Momentum	Div Yield Rel.	Beta
PSKY	Paramount Skydance Class B	Media	Downtrend	**-20.0%**	0.57	-26.9	1.83	1.47
ECHO	EchoStar Class A	Media	Retracement	**-14.4%**	17.76	-27.4	0.00	1.06
TKO	TKO Group Holdings	Entertainment	Consolidation	**-7.9%**	1.90	-7.8	0.60	0.43
GOOGL	Alphabet Class A	Interactive Media & Services	Uptrend	**-5.9%**	1.00	-11.9	0.17	1.28
GOOG	Alphabet Class C	Interactive Media & Services	Consolidation	**-4.8%**	1.00	-11.3	0.17	1.25
WBD	Warner Bros. Discovery	Entertainment	Consolidation	**-3.7%**	N/A	-8.8	0.00	1.37
META	Meta Platforms	Interactive Media & Services	Consolidation	**-3.5%**	0.84	-15.2	0.26	1.61
CMCSA	Comcast Class A	Diversified Telecommunication Services	Downtrend	**-1.5%**	0.34	-13.0	4.00	0.15
TTWO	Take-Two Interactive	Entertainment	Consolidation	**-0.3%**	1.64	+7.0	0.00	0.76
CHTR	Charter Communications	Media	Downtrend	**+0.6%**	0.17	-16.3	0.03	-0.21

The bottom table explains the broad VOX underweight. Alphabet and Meta are among the sector's largest companies, and their declines outweighed the gains in smaller telecom and media holdings. Paramount Skydance and EchoStar combine the sector's weakest one-month returns with deeply negative momentum.

Economic & Policy Drivers: Communication Services Sector

Interactive Media & Services

The primary July narrative was the widening distinction between **AI-driven revenue growth and post-investment shareholder cash flow**. Alphabet demonstrated strong growth in Search, YouTube and Cloud, while Meta produced strong advertising demand but much weaker margins and free-cash-flow conversion.

Amazon's strong AWS quarter reinforced the idea that investors will reward large AI investment when a visible cloud-revenue engine offsets the spending. That comparison is less favorable for Meta, which is using most of its infrastructure internally and does not yet have an equivalent external cloud business.

August read: Favor Alphabet over Meta at the model level. Alphabet retains a Buy rating and Uptrend classification. Meta remains a Sell with negative momentum and greater capex sensitivity.

Telecommunications

AT&T and Verizon produced the strongest combination of earnings confirmation and stock performance. Both companies reported improved subscriber trends, broadband growth and free cash flow. Telecom also offers discounted valuations and high dividend-yield multiples relative to the S&P 500.

Higher real yields and large debt balances remain constraints. The industry's July move is constructive, but AT&T is still classified as a Retracement, Verizon as Consolidation and T-Mobile as Support.

August read: Selectively constructive. Favor improving free cash flow, fiber and converged wireless-broadband exposure, but do not treat telecom's rebound as sufficient reason to own VOX.

Streaming and Entertainment

Netflix continues to deliver double-digit revenue growth and high operating margins. Peacock reached quarterly profitability for the first time, while Comcast's wireless business produced record line additions. Those developments confirm that scaled streaming platforms can improve earnings as pricing, advertising and subscriber growth offset content investment.

Sports rights, production costs and release execution remain risks. Netflix is in a Retracement pattern, Disney and Warner Bros. Discovery remain in Consolidation, and TKO underperformed sharply.

August read: Favor scaled, profitable platforms and company-specific live-entertainment exposure. Avoid broad entertainment exposure without price confirmation.

Media, Cable and Advertising

Publishing, broadcasting and advertising were among July's strongest stock-level groups. News Corp., Fox and Omnicom all generated double-digit one-month excess returns. The move was driven more by value, company-specific catalysts and low expectations than by a broad improvement in legacy-media fundamentals.

Cable remains weaker. Comcast and Charter are both in Downtrend patterns, and Comcast continued to lose broadband subscribers despite improving wireless and Peacock results.

The proposed Paramount Skydance–Warner Bros. Discovery transaction also became a major source of uncertainty. California and 11 other states sued to block the transaction, and the companies agreed to halt closing until June 2027 or a court decision. The federal Justice Department had previously closed its investigation without challenging the deal, leaving a split regulatory outcome and an extended litigation timetable.

August read: Treat traditional media as a stock-selection and special-situations area, not a sector leadership theme.

Search Antitrust and Platform Regulation

Google remains subject to the final judgment in the federal search-monopoly case. The Justice Department's case page shows continuing implementation and compliance activity, including a July 22 joint status report. The remedies and monitoring process create continuing uncertainty around search distribution, data access and contracting practices.

Meta also warned that youth-related litigation and regulatory matters could materially affect future results, adding to the platform industry's legal-cost risk.

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

ETFInsight / Myrtle Tree Investment Research Macro Technical Model, July 30, 2026 — SPY and XLC source-proxy prices and returns, RSI, moving averages, relative strength, Macro Regime Index, macro pillar readings, Treasury yields, real yields, U.S. dollar, commodities, volatility, credit and market breadth.

ETFInsight / Myrtle Tree Investment Research Elev8 Model Dashboard and Positioning, July 31, 2026 — Vanguard sector ETF implementation, VOX benchmark weight, portfolio weight, active weight, sector score, price pattern, stock-rating inputs, sector and industry technical signals, and macro-trend contributions.

FactSet 20260731_SP50_Stock_Data.xlsx — Communication Services stock-level one-month excess returns, market capitalization, GICS industry classification, valuation multiple relative to the S&P 500, momentum score, dividend-yield multiple, beta, model rating and price-pattern classification.

Alphabet Q2 2026 Earnings Call Remarks, July 22, 2026 — Alphabet revenue growth, Search and Other revenue, YouTube advertising, Google Cloud growth, Cloud backlog and AI-product adoption.

Meta Platforms Q2 2026 Financial Results, July 29, 2026 — revenue and advertising growth, operating expenses, operating margin, capital expenditures, free cash flow, 2026 capex guidance and legal and regulatory risk disclosures.

Netflix Q2 2026 Shareholder Letter, July 16, 2026 — revenue growth, operating income, operating margin, free cash flow, membership and pricing contribution, engagement trends and advertising strategy.

Comcast Q2 2026 Earnings Release, July 23, 2026 — broadband customer trends, record wireless additions, Peacock's first profitable quarter, subscriber growth, media results and consolidated free cash flow.

AT&T Q2 2026 Earnings Release, July 22, 2026 — postpaid phone additions, fiber and fixed-wireless growth, advanced-connectivity revenue, free cash flow, capital investment and shareholder-return plans.

Verizon Q2 2026 Earnings Release — postpaid phone and broadband additions, mobility and broadband service revenue, operating cash flow, free-cash-flow growth, capital spending, debt and updated full-year guidance.

U.S. Department of Justice: U.S. and Plaintiff States v. Google LLC — Google search-antitrust remedies, compliance process, technical-committee oversight and the July 22, 2026 joint status report.

California Department of Justice, July 13 and July 24, 2026 — state antitrust challenge to the proposed Paramount Skydance–Warner Bros. Discovery combination and the agreement delaying closing until June 2027 or a court ruling.

U.S. Department of Justice Antitrust Division — federal review and closing of the investigation into the proposed Paramount Skydance–Warner Bros. transaction, providing context for the differing federal and state regulatory outcomes.

Reuters: Amazon Q2 2026 Earnings Coverage, July 30–31, 2026 — AWS growth, advertising growth, AI-infrastructure demand, capital-spending plans and the market's comparison of AI investment returns across Amazon, Alphabet and Meta.

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