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Monthly Insights: August Outlook

Industrial Sector

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Sector Price Action & Performance Review: Industrial Sector

Industrials enter August as a **constructive but more selective broadening sector**. VIS' source proxy fell **3.7% over one month**, lagging the S&P 500 proxy's **-0.7%** return, but the sector remains positive over three months and six months. The model's **Consolidation** pattern captures the current setup: the long-cycle demand story is intact, but the sector is digesting a sharp pullback in prior winners tied to AI power, grid infrastructure, cooling and heavy equipment.

The strongest industry groups were **Professional Services**, **Industrial Conglomerates**, **Commercial Services & Supplies** and **Aerospace & Defense**. Cintas, Paychex, ADP, Broadridge, Verisk, RTX, Lockheed Martin and Huntington Ingalls all ranked near the top of the sector's stock table. That is a higher-quality leadership mix than a pure cyclical momentum trade. Investors favored recurring revenue, payroll/data services, defense backlog, commercial services and lower-beta earnings resilience.

The weakest industry groups were **Electrical Equipment**, **Building Products**, **Construction & Engineering**, **Passenger Airlines** and **Air Freight & Logistics**. Generac, Vertiv, Lennox, Builders FirstSource, Caterpillar, C.H. Robinson, GE Vernova, Carrier and Comfort Systems were all among the bottom performers. Importantly, several laggards remain in **Uptrend** patterns, which suggests profit-taking and valuation reset rather than a full fundamental breakdown.

Amazon's strong quarter matters for Industrials even though Amazon is not in the sector. AWS revenue growth, AI backlog and the higher capex plan reinforce the long-term demand case for data centers, power equipment, cooling systems, electrical infrastructure, automation and construction services. The problem is that the stock market is no longer willing to pay any price for those themes after a major run

The August outlook for Industrials is **constructive and overweight, but selective**. The Elev8 portfolio holds VIS at **11.3%**, roughly **250 bp above benchmark**, and the model score ranks Industrials third across the 11 sectors. That supports staying involved, but the July stock-level reset argues against broad momentum-chasing.

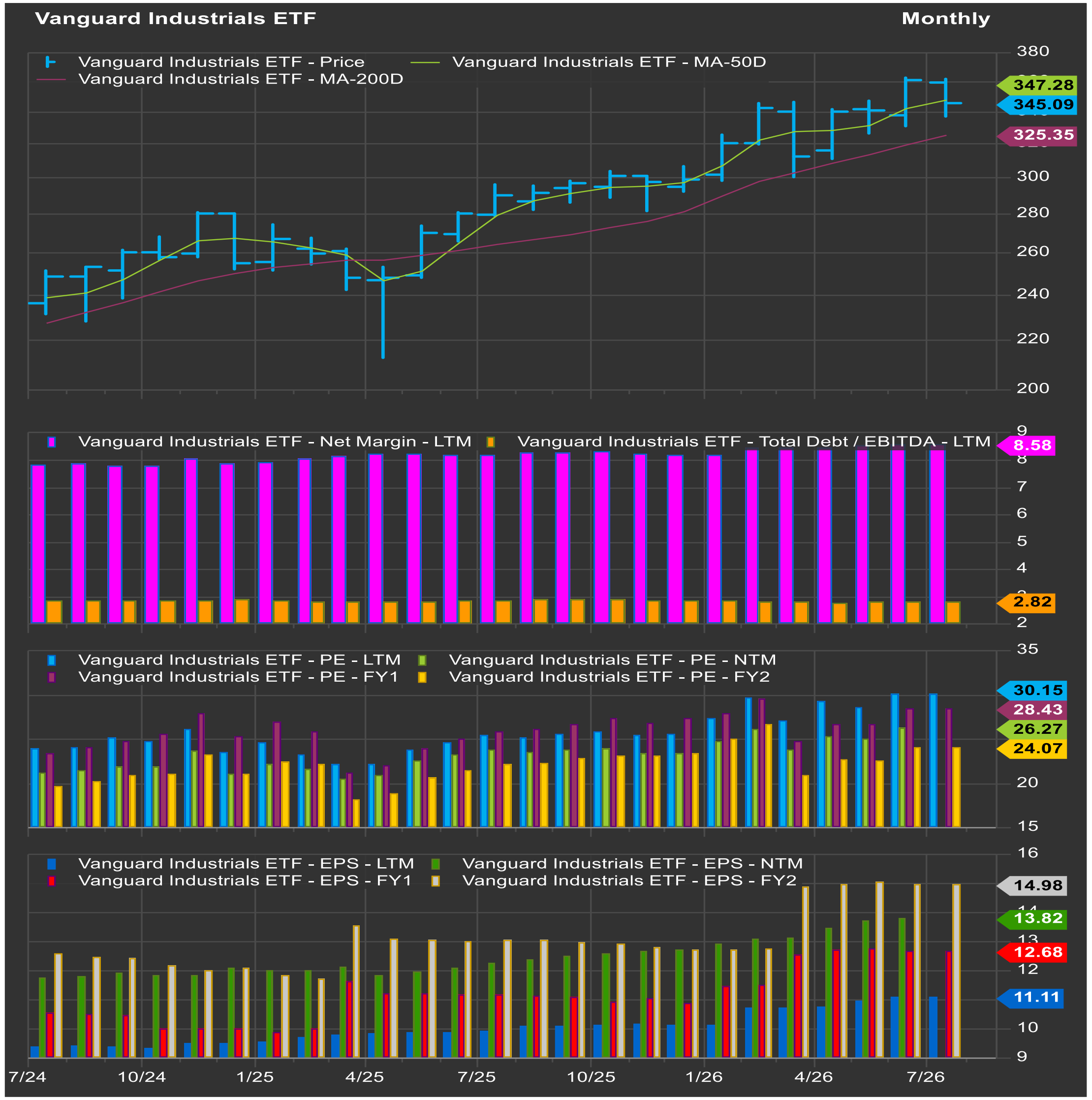
The best August opportunities are in **Professional Services, Commercial Services & Supplies, Aerospace & Defense, Industrial Conglomerates and selected Machinery**. Cintas, Paychex, ADP, Broadridge, RTX, Lockheed, Huntington Ingalls and PACCAR represent the current leadership profile.

The most tactical areas are **Electrical Equipment and Construction & Engineering**. Vertiv, GE Vernova, Generac, Comfort Systems and the broader grid/data-center infrastructure complex remain strategically important, but the stocks need stabilization after a significant July correction.

The weaker near-term setup is in **Building Products, Airlines, Air Freight & Logistics and high-beta machinery**. These areas are more exposed to higher oil, higher real yields, housing affordability, freight softness and input costs.

We start August long the Industrial Sector with an OVERWEIGHT allocation of 2.52% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

Fundamentals: Industrial Sector



The fundamental backdrop for Industrials remains constructive. Durable goods orders increased **0.3%** in June, and orders excluding transportation rose **0.6%**. Computers and electronic products led the increase, up **3.1%**, reinforcing the link between business investment, AI infrastructure and industrial production. (census.gov)

Core capital goods were stronger than the headline durable goods figure. Reuters reported that non-defense capital goods orders excluding aircraft rose **0.9%** in June after an upwardly revised **1.9%** gain in May, while shipments jumped **1.9%**, the largest gain in 4½ years. The strength was tied to the AI investment boom and demand for computers, electronic products, electrical equipment and primary metals. (reuters.com)

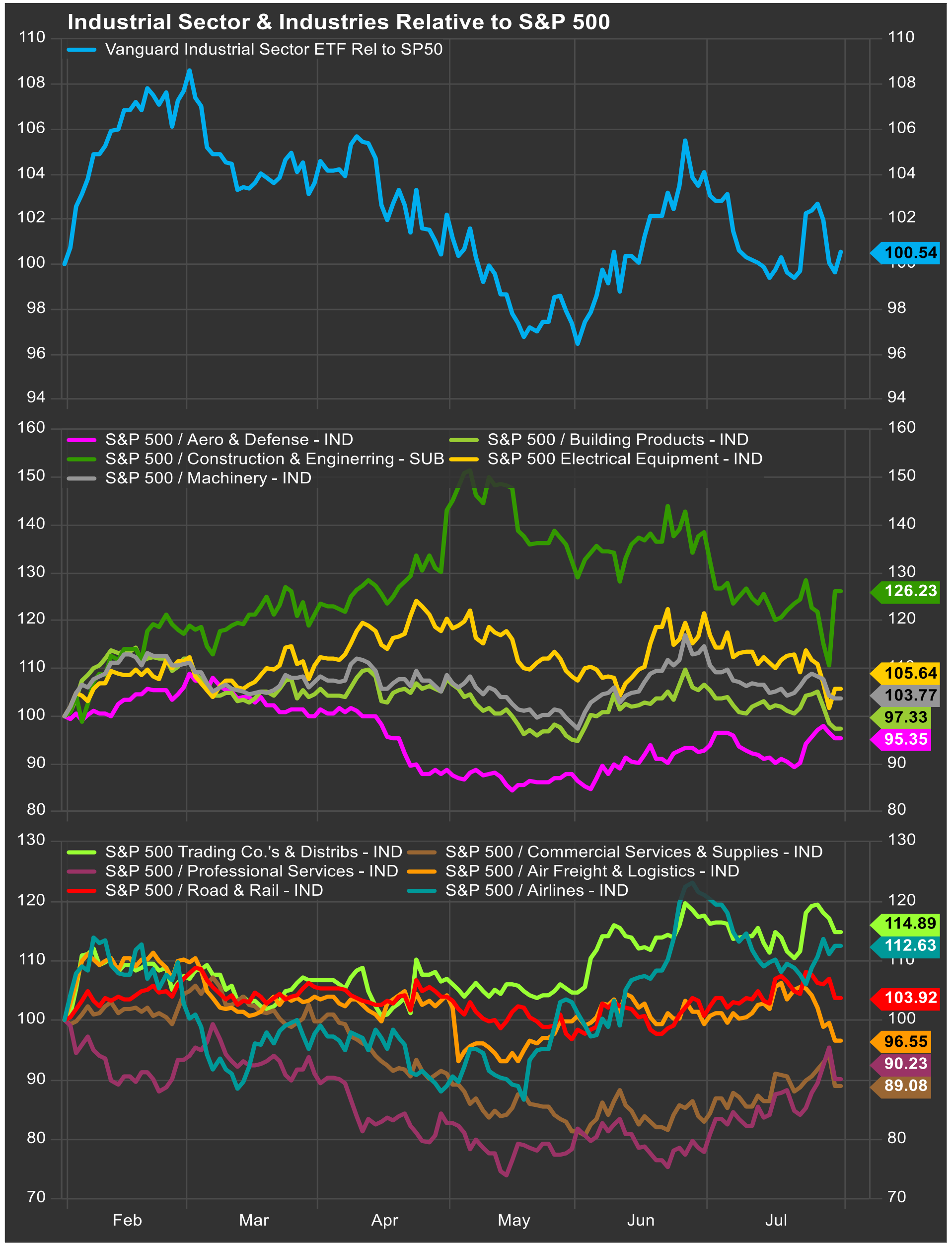
Cintas confirms the services and commercial-quality leadership. The company reported fiscal Q4 revenue growth of **8.9%**, organic revenue growth of **8.4%**, and gross margin of **51.0%**, equal to its all-time high. That supports the top-table strength in Commercial Services & Supplies. (cintas.com)

Aerospace & Defense fundamentals also remain supportive. RTX reported Q2 sales of **$24.7B**, up **14%**, adjusted EPS up **21%**, free cash flow of **$2.9B**, and backlog of **$289B**. Lockheed Martin reported Q2 sales up **11%** to **$20.1B**, free cash flow of **$2.9B**, and record backlog of **$230B**. (rtx.com; lockheedmartin.com)

The investment implication is that Industrials' fundamentals still support the overweight, but leadership must rotate. The sector should not be owned only through the most crowded power/cooling/data-center infrastructure winners. Earnings-confirmed services, aerospace/defense, payroll/data and selected capital equipment provide a better August implementation.

ETF	Price	1D	1W	1M	3M	6M	RSI
VOO	$741.69	+1.7%	+0.5%	-0.7%	+4.2%	+6.7%	49.2
VIS	$178.39	+1.0%	-2.0%	-3.7%	+5.0%	+8.7%	46.2

Industry/Sub-Industry Performance Model Scores: Industrial Sector



Indicator	Latest Reading	July Message	Investment Interpretation
Elev8 Industrials score	**5**	Positive	Third-highest model score behind Financials and Technology.
Elev8 Industrials rank	**3 / 11**	Upper tier	Industrials remain one of the preferred August sector exposures.
Elev8 pattern	**Consolidation**	Reset phase	The sector is digesting prior gains rather than breaking down.
VIS benchmark weight	**8.8%**	Major cyclical sector	Industrials remain a meaningful S&P 500 allocation.
VIS Elev8 weight	**11.3%**	Overweight	Portfolio holds VIS above benchmark.
VIS active weight	**+2.5%**	Positive active exposure	Industrials remain part of the broadening trade.
VIS 1M return	**-3.7%**	Short-term underperformance	AI power, building products and heavy machinery corrected.
VIS 3M return	**+5.0%**	Positive	Intermediate trend remains constructive.
VIS 6M return	**+8.7%**	Positive	Longer-term trend supports staying involved.
VIS RSI	**46.2**	Neutral / reset	Sector is no longer tactically overbought.
10Y real yield	**2.41%**	Valuation headwind	Higher real yields pressure long-cycle project winners.
WTI crude	**$83.59**	Cost headwind	Higher oil pressures airlines, freight and cost-sensitive cyclicals.

Top 10 Stock Level Performers: Industrial Sector

Symbol	Company	Sector	Industry	Pattern	1M Excess	Valuation Rel.	Momentum	Div Yield Rel.	Beta
CTAS	Cintas	Industrials	Commercial Services & Supplies	Consolidation	+22.3%	1.92	14.5	0.65	0.84
PAYX	Paychex	Industrials	Professional Services	Consolidation	+20.3%	1.00	20.1	3.06	0.46
ADP	Automatic Data Processing	Industrials	Professional Services	Consolidation	+18.6%	1.11	16.7	1.89	0.66
HII	Huntington Ingalls Industries	Industrials	Aerospace & Defense	Retracement	+15.1%	0.86	-9.3	1.25	0.42
BR	Broadridge Financial Solutions	Industrials	Professional Services	Support	+13.8%	0.77	-2.7	1.75	0.60
RTX	RTX	Industrials	Aerospace & Defense	Consolidation	+13.8%	1.46	13.5	0.95	0.22
LMT	Lockheed Martin	Industrials	Aerospace & Defense	Retracement	+13.5%	0.94	4.9	1.75	-0.07
ALLE	Allegion	Industrials	Building Products	Support	+12.6%	0.87	7.0	0.98	0.62
VRSK	Verisk Analytics	Industrials	Professional Services	Support	+12.4%	1.26	3.4	0.71	0.44
PCAR	PACCAR	Industrials	Machinery	Consolidation	+12.1%	1.06	8.7	1.74	0.93

The top 10 Industrial stocks are a **quality services, payroll/data and defense resilience** list. This is not a high-beta cyclical rally. The table is led by Cintas, Paychex, ADP, Huntington Ingalls, Broadridge, RTX, Lockheed Martin, Allegion, Verisk and PACCAR. That mix suggests investors are looking for recurring revenue, backlog visibility, margin discipline and stable demand rather than chasing the most crowded infrastructure winners.

Defense is especially important. RTX and Lockheed both posted strong Q2 results, and the U.S. Army awarded Lockheed a large Patriot missile contract, reinforcing munitions, air defense and defense-industrial-base demand.

Bottom 10 Stock Level Performers: Industrial Sector

Symbol	Company	Sector	Industry	Pattern	1M Excess	Valuation Rel.	Momentum	Div Yield Rel.	Beta
GNRC	Generac	Industrials	Electrical Equipment	Bullish Reversal	-33.7%	0.93	-23.5	0.00	2.33
VRT	Vertiv	Industrials	Electrical Equipment	Uptrend	-31.3%	1.47	-23.6	0.07	1.47
LII	Lennox International	Industrials	Building Products	Consolidation	-26.4%	0.86	-25.1	0.88	1.08
BLDR	Builders FirstSource	Industrials	Building Products	Support	-25.5%	0.81	-27.7	0.00	1.64
CAT	Caterpillar	Industrials	Machinery	Uptrend	-23.1%	1.49	-10.0	0.55	1.59
CHRW	C.H. Robinson Worldwide	Industrials	Air Freight & Logistics	Bullish Reversal	-21.2%	1.09	-23.9	1.22	0.91
GEV	GE Vernova	Industrials	Electrical Equipment	Uptrend	-15.7%	1.86	-5.6	0.15	0.94
CARR	Carrier Global	Industrials	Building Products	Bullish Reversal	-15.2%	1.02	-11.1	1.10	1.16
FIX	Comfort Systems USA	Industrials	Construction & Engineering	Uptrend	-13.6%	1.59	-1.5	0.14	1.92
PNR	Pentair	Industrials	Machinery	Support	-12.5%	0.69	-23.2	1.16	0.94

The bottom 10 table is concentrated in **Electrical Equipment, Building Products, Machinery, Air Freight & Logistics and Construction & Engineering**. This is the exact cluster that had benefited from AI power, data-center infrastructure, construction activity, HVAC/cooling, backup power and heavy equipment momentum. The July weakness is therefore a valuation and positioning reset in the most crowded Industrial growth themes.

The key point is that several bottom-table stocks are still structurally attractive. Vertiv, GE Vernova and Comfort Systems remain tied to data-center power/cooling and grid investment. Caterpillar remains a high-quality machinery bellwether. Carrier, Lennox and Builders FirstSource remain exposed to building efficiency and housing repair/replacement. But the current price action says August needs patience and entry discipline.

Economic & Policy Drivers: Industrial Sector

Professional Services

Professional Services is the strongest industry in the Industrial stock file. Paychex, ADP, Broadridge and Verisk all ranked near the top of the sector, and the group has low average beta. The message is that investors are buying recurring revenue, payroll/data, compliance and outsourced services as a more durable way to own Industrials.

August read: preferred industry. Professional Services gives VIS lower-volatility earnings support while the power/infrastructure winners reset.

Commercial Services & Supplies

Commercial Services & Supplies is supported by Cintas' strong execution. The company's fiscal Q4 results showed high organic growth and record-level gross margin, confirming pricing power and margin durability. (cintas.com)

August read: constructive. Favor companies with pricing power, recurring demand and clear margin control.

Aerospace & Defense

Aerospace & Defense remains one of the best fundamental industries in Industrials. RTX and Lockheed confirmed strong sales, earnings, cash flow and backlog, while Boeing's delivery cadence continues to improve. Boeing delivered **64** aircraft in June and **314** in the first half, its highest first-half delivery count since 2018. (investing.com)

August read: preferred. Favor defense, munitions, aerospace suppliers and commercial aerospace recovery where backlog visibility is strong.

Machinery

Machinery is mixed. PACCAR was in the top 10, but Caterpillar was in the bottom 10, and the industry's market-cap-weighted return was negative. Core capital goods data support equipment demand, but high real yields, China/global growth uncertainty, higher oil and elevated input costs limit a clean overweight. (reuters.com)

August read: selective. Favor machinery with backlog, pricing power and aftermarket support; avoid high-beta machinery until price momentum improves.

Electrical Equipment

Electrical Equipment has the strongest long-term secular story but the weakest short-term stock signal. Generac, Vertiv and GE Vernova all ranked in the bottom 10. The long-term driver is intact: data centers, manufacturing and other large loads are forcing grid modernization. FERC has ordered regional grid operators to justify or reform tariffs for data centers and other large energy users, specifically to speed large-load integration while protecting ratepayers. (ferc.gov)

August read: watchlist, not fresh chase. The theme is strong, but the stocks need technical repair.

Construction & Engineering

Construction & Engineering remains strategically attractive but tactically weaker. Comfort Systems remains in an uptrend, and Quanta/EMCOR remain central to the grid and data-center buildout, but the industry's one-month excess return was negative. The market is no longer paying indiscriminately for AI infrastructure capacity after the prior run.

August read: buy-on-stabilization, not chase. The secular theme remains attractive, but near-term positioning risk is high.

Building Products

Building Products were pressured by housing affordability, higher real yields and profit-taking in prior winners. Lennox, Builders FirstSource and Carrier all appeared in the bottom table.

August read: cautious. Building Products need lower rates, housing improvement or better price confirmation before becoming a preferred industry again.

Transportation and Airlines

Transportation is mixed. Ground Transportation held up better than Air Freight & Logistics and Passenger Airlines. Higher oil is the main headwind, reversing some of the prior fuel-cost relief trade.

August read: neutral to cautious. Favor logistics and transport names with pricing power; be careful with airlines and fuel-sensitive freight exposure.

What Shaped the Industrials Narrative in July

July's Industrials narrative was **capex strength but leadership rotation**. The macro data were supportive: durable goods improved, core capital goods orders rose strongly, and shipments surged. That supports the view that Industrials remain tied to real business investment, not only investor enthusiasm for AI themes. (reuters.com)

The second narrative was **AI infrastructure profit-taking**. The same power, electrical equipment, cooling and construction names that benefited from data-center demand became the biggest laggards. Amazon's capex increase reinforces the long-term demand story, but the stock market is requiring more discipline around valuation, supply response and timing. (reuters.com)

The third narrative was **services and defense resilience**. Cintas, ADP, Paychex, RTX, Lockheed and Huntington Ingalls show that investors are rewarding recurring revenue, backlog, defense demand and lower-beta earnings durability.

The fourth narrative was **input-cost pressure**. ISM prices remain elevated, with continued pressure in steel, aluminum, fuel, freight, electrical components and semiconductors. That makes margin discipline and pricing power central to Industrials performance in August. (ismworld.org)

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, breadth, credit, rates, commodities and volatility.

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 — Industrials 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, EPS/revenue surprises, blended earnings growth, margins, sector earnings and valuation context.

U.S. Census Bureau Advance Durable Goods Report, June 2026 — durable goods orders, ex-transportation orders, ex-defense orders, computers/electronics orders and manufacturing demand context.

Reuters Core Capital Goods Orders, July 27, 2026 — core capital goods orders, shipments, AI investment boom, computers/electronic products, electrical equipment and primary metals demand.

ISM Manufacturing PMI, June 2026 — manufacturing activity, new orders, production, employment, supplier deliveries, prices and industry input-cost pressure.

Amazon / Reuters Q2 2026 earnings coverage, July 30, 2026 — AWS growth, AI backlog, capex plan, capacity constraints and data-center infrastructure demand read-through.

Cintas Fiscal 2026 Fourth Quarter Results — revenue growth, organic growth, gross margin, operating income and fiscal 2027 outlook.

RTX Q2 2026 Results — sales growth, organic growth, adjusted EPS, free cash flow, backlog and raised outlook.

Lockheed Martin Q2 2026 Results — sales growth, free cash flow, record backlog and 2026 financial outlook.

Barron's Lockheed Martin Patriot missile contract coverage, July 31, 2026 — Patriot missile contract, defense-industrial-base demand and munitions-production read-through.

Reuters Boeing Deliveries, July 14, 2026 — June deliveries, first-half deliveries, 737 MAX output and commercial aerospace recovery.

FERC Large Load Integration Action, June 18, 2026 — data-center and manufacturing large-load interconnection, grid tariff reform, speed-to-power and ratepayer protection framework.

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