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Monthly Insights: August Outlook

Materials Sector

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Sector Price Action & Performance Review: Materials

Materials enter August with a **mixed but improving** setup. VAW's source proxy gained **1.6% over one month**, outperforming the S&P 500 proxy's **-0.7%** return, but the sector remains only modestly positive over three and six months. The Elev8 model classifies the sector as **Consolidation**, which fits the tape: Materials are participating in the broadening trade, but they are not yet a clean leadership sector.

The strongest industry groups were **Metals & Mining** and **Containers & Packaging**. Nucor, Steel Dynamics, Freeport-McMoRan and Newmont support the metals side, while International Paper, Packaging Corp., Ball, Amcor, Avery Dennison and Smurfit Westrock support the packaging side. The top stock table is led by CF Industries, Nucor, LyondellBasell, International Paper, Steel Dynamics, Dow, Avery Dennison, Mosaic, Corteva and Ball.

The weakest industry was **Construction Materials**. CRH, Vulcan and Martin Marietta all posted negative one-month excess returns despite supportive long-term infrastructure and data-center demand. That matters because Construction Materials had been one of the cleaner ways to express public infrastructure, reshoring and AI/data-center construction. The updated tape says the fundamentals are not broken, but expectations and valuation have become harder to beat.

Amazon's strong quarter is relevant, but indirect. AWS growth, the larger capex plan and continued AI infrastructure demand support data-center construction, packaging, logistics and industrial materials over time. But the Materials sector does not capture that theme as directly as Technology, Industrials, Real Estate or Energy. Amazon reported AWS revenue growth of **37%** and raised its 2026 capital spending plan to **$220B**, reinforcing the scale of AI/data-center investment, but Materials remains a second-derivative beneficiary.

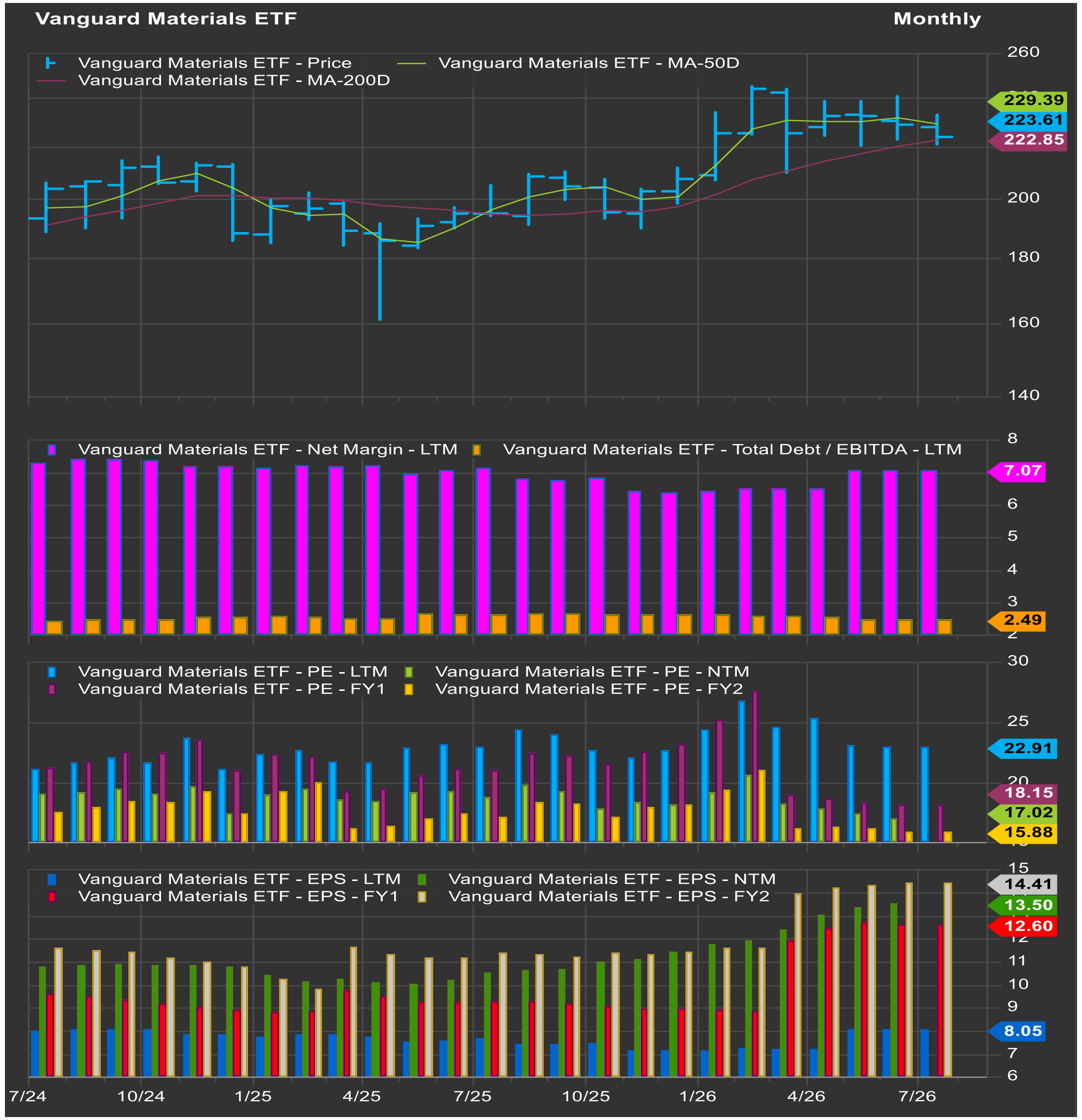
The August outlook for Materials is neutral to modestly constructive, with VAW held near benchmark. The sector has positive one-month performance, better steel and packaging leadership, and support from copper, commodities and AI infrastructure demand. However, the model score is negative, Construction Materials are weak, and Energy remains the cleaner inflation/geopolitical hedge.

The best August opportunities are in **Metals & Mining, Containers & Packaging, Fertilizer and selected basic chemicals**. Nucor, Steel Dynamics, CF Industries, International Paper, Packaging Corp., Dow, LyondellBasell, Mosaic, Corteva and select copper/gold exposure represent the constructive side of the sector.

The weaker areas are **Construction Materials, lithium, selected coatings/specialty chemicals and high-expectation infrastructure materials**. Albemarle, CRH, Vulcan, Martin Marietta and PPG show where the market remains less forgiving.

We start August with a market weight allocation of -0.07% to the Materials Sector in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

Fundamentals: Materials Sector



Materials have a better earnings backdrop than the model score alone suggests. The Q2 earnings setup had Materials among the top projected S&P 500 earnings-growth sectors, with NYSE's FactSet-based preview showing Materials expected to grow earnings **35.3%** year over year. That supports keeping exposure in the sector, but not enough to make VAW a top active overweight.

The strongest fundamental evidence is in steel. Nucor reported Q2 net earnings attributable to shareholders of **$1.16B**, or **$5.04** per diluted share, net sales of **$10.40B**, EBITDA of **$2.02B**, and a second consecutive quarterly record for steel mill shipments, with management citing investment across key U.S. sectors and supportive trade policy. Steel Dynamics also reported record steel shipments of **3.7M tons**, net sales of **$6.1B**, adjusted EBITDA of **$921M**, and $200M of share repurchases.

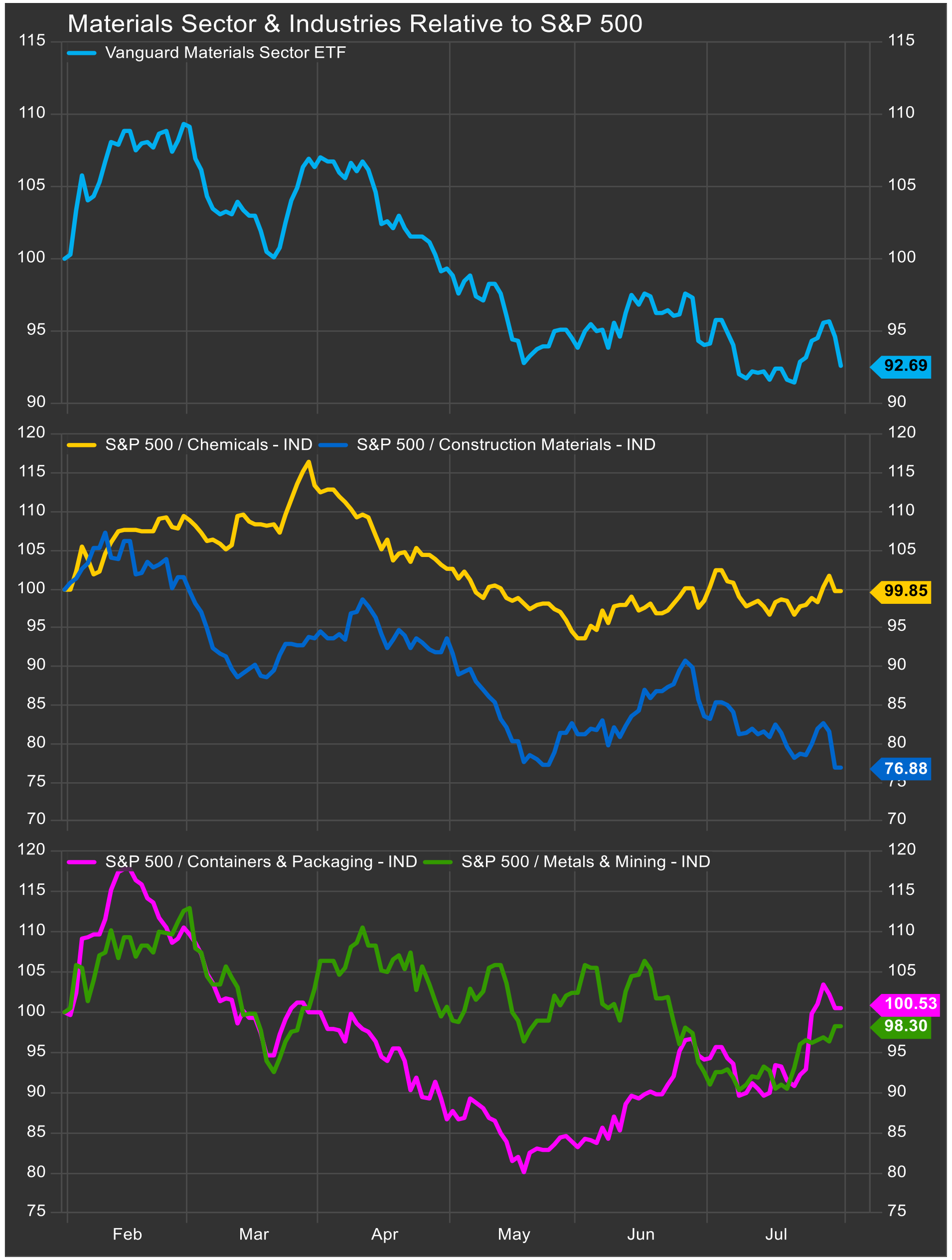
Chemicals are more mixed. Dow reported Q2 net sales of **$12.1B**, up **20%** year over year, operating EPS of **$1.44**, and operating EBITDA of **$2.31B**, helped by higher prices and self-help actions. But the broader chemical industry remains cautious, with Reuters reporting that European chemical firms posted solid Q2 results while still warning about weak industrial demand, automotive/construction exposure, Chinese overcapacity, trade uncertainty and Middle East-related costs.

Packaging is the clearest pricing-recovery pocket. Packaging Corp. reported Q2 net sales of **$2.5B**, up from **$2.2B** a year earlier, and adjusted EPS of **$2.35**. The broader paper/packaging group also rallied after reports of containerboard price increases, including a planned **$140/ton** increase by Packaging Corp. and expected follow-through from peers.

Construction Materials remain fundamentally supported but tactically weak. Vulcan beat quarterly profit estimates on strong demand for crushed stone, sand and gravel tied to infrastructure, data centers and energy projects, but the stock table still shows Construction Materials as the weakest Materials industry. That gap between good fundamentals and weak stock action is the main reason the sector remains near benchmark rather than overweight.

ETF	Price	1D	1W	1M	3M	6M	RSI
VOO	$741.69	+1.7%	+0.5%	-0.7%	+4.2%	+6.7%	49.2
VAW	$51.64	-0.2%	+2.7%	+1.6%	+1.3%	+3.4%	54.4

Industry/Sub-Industry Performance and Model Scores: Materials



7/31/2026

Indicator	Latest Reading	July Message	Investment Interpretation
Elev8 Materials score	**-2**	Slightly negative	Model does not support a material overweight.
Elev8 Materials rank	**8 / 11**	Lower-middle	Sector ranks ahead of Staples, Utilities and Communication Services.
Elev8 pattern	**Consolidation**	Neutral / unresolved	Sector is participating but not leading.
VAW Elev8 weight	**1.9%**	Near benchmark	Portfolio keeps modest exposure but no active overweight.
VAW active weight	**-0.1%**	Slight underweight	Exposure is maintained but not emphasized.
VAW 1M return	**+1.6%**	Positive	Sector outperformed the S&P 500 proxy.
VAW 3M return	**+1.3%**	Modest	Intermediate trend is constructive but not strong.
VAW 6M return	**+3.4%**	Modest	Longer trend lags stronger sectors.
VAW RSI	**54.4**	Neutral / constructive	Momentum is improving but not overbought.
Copper	**+4.1% 1M**	Supportive	Helps metals and mining sentiment.
WTI crude	**+20.3% 1M**	Input-cost risk	Supports inflation hedge argument, but favors Energy more directly.
10Y real yield	**2.41%**	Headwind	Restrictive rates pressure construction, chemicals and high-multiple industrial materials.

Top 10 Stock Level Performers: Materials

Symbol	Company	Sector	Industry	Pattern	1M Excess	Valuation Rel.	Momentum	Div Yield Rel.	Beta
CF	CF Industries	Materials	Chemicals	Bullish Reversal	+16.9%	0.49	9.9	1.17	-0.05
NUE	Nucor	Materials	Metals & Mining	Bullish Reversal	+16.2%	0.75	17.8	0.62	1.87
LYB	LyondellBasell Industries	Materials	Chemicals	Retracement	+15.6%	0.42	-2.5	3.61	-0.23
IP	International Paper	Materials	Containers & Packaging	Consolidation	+14.0%	0.98	24.8	3.10	0.64
STLD	Steel Dynamics	Materials	Metals & Mining	Uptrend	+10.8%	0.72	13.6	0.60	1.46
DOW	Dow	Materials	Chemicals	Retracement	+10.7%	0.75	-10.2	3.31	-0.19
AVY	Avery Dennison	Materials	Containers & Packaging	Consolidation	+8.4%	0.84	2.0	1.62	0.60
MOS	Mosaic	Materials	Chemicals	Downtrend	+8.2%	0.88	-4.5	2.75	0.56
CTVA	Corteva	Materials	Chemicals	Consolidation	+6.3%	1.16	8.5	0.59	0.26
BALL	Ball	Materials	Containers & Packaging	Consolidation	+5.4%	0.79	5.1	0.88	0.70

The top 10 Materials list is a **steel, fertilizer, packaging and basic-chemicals recovery** list. CF Industries, Nucor, LyondellBasell, International Paper, Steel Dynamics, Dow, Avery Dennison, Mosaic, Corteva and Ball all outperformed. The mix is constructive because it is not dependent on one commodity. It includes nitrogen fertilizer, steel, containerboard/packaging, crop inputs and industrial/basic chemicals.

The strongest signal is steel. Nucor and Steel Dynamics both posted strong Q2 results, with pricing, shipments and trade-policy support helping the group. Packaging is the second-best signal, supported by containerboard price increases and tighter supply.

The top table has three useful signals. First, the market is rewarding **pricing power** in steel and packaging. Second, it is willing to buy **low-valuation, high-dividend chemical names** where margins have stopped deteriorating. Third, the sector has some inflation hedge characteristics, but they are not as direct as Energy's oil/refining exposure.

CF's leadership is notable because the company had not yet reported Q2 results at the time of the updated file; it announced a **20%** quarterly dividend increase and said Q2 results would be released after the close on August 5. That makes CF partly a fertilizer-price and capital-return anticipation trade.

Bottom 10 Stock Level Performers: Materials

Symbol	Company	Sector	Industry	Pattern	1M Excess	Valuation Rel.	Momentum	Div Yield Rel.	Beta
ALB	Albemarle	Materials	Chemicals	Retracement	-12.0%	0.51	-33.0	0.98	1.27
CRH	CRH	Materials	Construction Materials	Consolidation	-9.5%	0.78	-19.7	1.17	1.34
VMC	Vulcan Materials	Materials	Construction Materials	Consolidation	-7.3%	1.40	-12.3	0.55	0.93
PPG	PPG Industries	Materials	Chemicals	Consolidation	-6.9%	0.70	-3.8	1.84	0.81
MLM	Martin Marietta Materials	Materials	Construction Materials	Consolidation	-5.6%	1.35	-14.7	0.45	0.84
LIN	Linde	Materials	Chemicals	Bullish Reversal	-1.2%	1.40	-0.3	0.91	0.39
SHW	Sherwin-Williams	Materials	Chemicals	Consolidation	+0.9%	1.39	0.3	0.62	1.03
ECL	Ecolab	Materials	Chemicals	Consolidation	+1.0%	1.63	0.7	0.75	0.73
IFF	International Flavors & Fragrances	Materials	Chemicals	Consolidation	+1.1%	0.91	7.0	1.47	0.55
FCX	Freeport-McMoRan	Materials	Metals & Mining	Bullish Reversal	+1.9%	0.93	3.5	0.67	0.85

The bottom 10 table is concentrated in **lithium, Construction Materials, coatings/specialty chemicals and mega-cap quality materials**. Albemarle is the clear weak spot, with a **-12.0%** one-month excess return and deeply negative momentum. CRH, Vulcan and Martin Marietta show that Construction Materials are still under pressure despite solid infrastructure and data-center demand.

The bottom table is not a sector breakdown. Several “laggards” are still positive on one-month excess return, including Sherwin-Williams, Ecolab, IFF and Freeport-McMoRan. The problem is that the sector’s weakest pockets are large enough to prevent a clean overweight signal.

Albemarle remains the biggest warning. Lithium exposure has not participated in the broader commodity rebound, and the stock’s momentum profile remains weak. That keeps the chemical/lithium portion of Materials from becoming a preferred sleeve.

Construction Materials are more nuanced. Vulcan’s profit beat shows that infrastructure, data centers and energy projects are supporting demand, but VMC, CRH and MLM remain weak in the stock table. The market appears to be treating the group as good fundamentals but crowded expectations, not as a fresh leadership industry.

Freeport’s modestly positive return is important because copper is one of the better long-term Materials themes, but the stock did not lead the sector this month. Reuters highlighted major copper-market dislocation tied to U.S. tariff uncertainty, with U.S. stockpiling and distorted regional inventories increasing volatility.

Economic & Policy Drivers: Materials Sector

Metals & Mining

Metals & Mining is the strongest Materials industry in the updated stock file. Nucor and Steel Dynamics led, while Freeport and Newmont were positive but less dominant. The group benefits from trade policy, regionalized steel markets, infrastructure spending, copper demand and gold cash flow.

Steel is the cleanest near-term signal. Nucor reported stronger earnings and record steel mill shipments, while Steel Dynamics reported record shipments and strong cash flow. The policy backdrop also helps: Reuters reported that Nucor's results benefited from strong pricing and demand, with U.S. steelmakers supported by elevated steel prices and federal trade policy.

August read: preferred Materials industry. Favor steel first, then selective copper/gold exposure.

Containers & Packaging

Containers & Packaging is the second-strongest industry. International Paper, Avery Dennison, Ball, Packaging Corp., Amcor and Smurfit Westrock all posted positive one-month excess returns. The entire industry is in **Consolidation**, which argues for measured exposure rather than chasing a full breakout.

The catalyst is pricing. Packaging stocks rallied after reports of containerboard price increases, including Packaging Corp.'s planned $140/ton increase and expected peer follow-through. Amazon's strong e-commerce and Prime-related demand also indirectly supports packaging, although pricing and capacity discipline are the more important near-term drivers.

August read: constructive. Favor packaging names where pricing discipline, supply tightness and dividend support are improving.

Chemicals

Chemicals are mixed. CF, LyondellBasell, Dow, Mosaic and Corteva were positive, while Albemarle and PPG were weak. The industry's average return was positive, but market-cap-weighted performance was modest, and average momentum remains negative.

Dow's Q2 results were encouraging, with higher prices, stronger operating earnings and self-help actions improving the earnings profile. But the global chemical backdrop is still uneven: Reuters reported solid Q2 results in European chemicals, but continued caution around weak industrial demand, automotive/construction exposure, Chinese overcapacity and trade uncertainty.

August read: selective. Favor fertilizer, basic chemicals and self-help stories; avoid lithium and chemically exposed stocks without margin confirmation.

Construction Materials

Construction Materials remain the weakest Materials industry. CRH, Vulcan and Martin Marietta all lagged. This is not because infrastructure demand disappeared. Vulcan's Q2 beat and commentary around strong demand from infrastructure, data centers and energy projects support the long-term case.

The problem is that the stocks were already pricing a lot of good news, and higher real yields make construction-related multiples more vulnerable. The AI/data-center construction theme still matters, but Industrials and Real Estate are currently cleaner ways to express that theme.

August read: watchlist, not leadership. Keep exposure selective and wait for price repair.

Copper / Critical Minerals

Copper remains an important long-term Materials theme, but current market structure is volatile. Reuters reported that tariff uncertainty has helped create a regional copper dislocation, with imports rising sharply and U.S. warehouses holding a large share of visible global stocks.

August read: constructive long term, tactical near term. Prefer Freeport selectively, but do not treat copper volatility as enough to make VAW a broad overweight.

Gold

Gold exposure is positive but not the sector's main driver. Newmont reported Q2 production of roughly **1.3M** attributable gold ounces and record second-quarter free cash flow of **$2.2B**, while returning **$1.9B** to shareholders through dividends and buybacks.

August read: useful diversifier. Gold miners help if inflation and geopolitical risk persist, but Energy remains the cleaner hedge.

What Shaped the Materials Narrative in July

The first major narrative was **steel and trade-policy support**. Nucor and Steel Dynamics were among the strongest Materials stocks, helped by higher prices, strong shipments, infrastructure demand and supportive trade policy. The result is a much better Metals & Mining tape than the headline Materials model score implies.

The second narrative was **packaging price repair**. Containerboard price-increase reports pushed paper and packaging stocks higher, and that helped Containers & Packaging become one of the strongest Materials industries. That leadership is useful because it is tied to pricing and supply discipline rather than just commodity beta.

The third narrative was **AI infrastructure as an indirect tailwind**. Amazon's larger capex plan, AWS growth and AI capacity constraints support long-term demand for data centers, construction, packaging, power equipment and industrial materials. But Materials captures this less directly than Industrials, Real Estate or Technology, which is why VAW remains near benchmark rather than overweight.

The fourth narrative was **construction-materials fatigue**. Vulcan's earnings beat shows infrastructure and data-center demand are real, but the stock table shows CRH, VMC and MLM lagging. Investors appear to be demanding lower valuations or better confirmation before rewarding the group again.

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, copper, gold, WTI, broad commodities, real yields, rates, 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 — Materials stock-level excess return, valuation multiple relative to index, momentum score, dividend-yield multiple, beta, industry and chart pattern.
- **FactSet / NYSE** Q2 2026 Earnings Preview — S&P 500 earnings-growth framework and Materials sector projected earnings-growth context.
- **Amazon / Reuters** Q2 2026 earnings coverage — AWS growth, AI capex plan, backlog, Prime demand and data-center/packaging/infrastructure read-through.
- **Nucor** Q2 2026 Results — net earnings, EPS, net sales, EBITDA, steel mill shipments and trade-policy demand commentary.
- **Steel Dynamics** Q2 2026 Results — record steel shipments, net sales, adjusted EBITDA, cash flow and share repurchases.
- **Dow** Q2 2026 Results — sales growth, operating EPS, operating EBITDA, pricing, volume, self-help actions and segment trends.
- **Packaging Corporation of America** Q2 2026 Results — net sales, EPS, packaging fundamentals and earnings backdrop.
- **Barron's** Packaging price-increase coverage — containerboard price increases, paper-stock rally and packaging-sector pricing support.
- **Reuters** Copper tariff dislocation analysis — U.S. copper tariff uncertainty, inventory dislocation, import flows and regional copper-market volatility.
- **Reuters** Vulcan Materials Q2 coverage — construction-materials demand, infrastructure/data-center/energy project demand and input-cost pressure.
- **Newmont** Q2 2026 Results — gold production, free cash flow, shareholder returns and full-year production guidance.
- **CF Industries** July dividend and Q2 reporting notice — dividend increase, capital-return signal and upcoming fertilizer earnings catalyst.
- **Reuters** European chemicals Q2 coverage — chemical-sector cost cutting, demand caution, trade uncertainty, overcapacity and industrial demand pressure.

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