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Monthly Insights: August Outlook

S&P 500

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Sector Price Action & Performance Review: S&P 500

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The S&P 500 enters August with a constructive but selective setup. The index proxy is down **0.7% over one month**, but the three-month and six-month trends remain positive at **+4.2%** and **+6.7%**. July was not a broad risk-off month. It was a leadership reset: investors took profits in crowded AI hardware and power-infrastructure winners while rotating into Financials, Energy, selected Technology software/services, Health Care, Real Estate and company-specific Consumer Discretionary winners.

Amazon's strong quarter is the key late-month development. The report helped repair one of the biggest weak points in the sector map because Amazon sits inside Consumer Discretionary but also speaks directly to the AI/cloud monetization debate. AWS revenue grew **37%** to **$42.2B**, advertising revenue rose **26%**, and Amazon raised its 2026 capex plan to **$220B**. The positive stock reaction suggests investors are willing to support large AI spending when cloud growth, backlog and revenue conversion are visible. (reuters.com)

The macro model remains constructive but not complacent. Growth, credit and risk indicators are still supportive, but the Fed remains restrictive, oil has rebounded, real yields are elevated, and inflation is not fully solved. The July FOMC held the target range at **3.50%–3.75%**, but the decision included three dissents in favor of a 25 bp hike, reinforcing that policy risk is still active. (federalreserve.gov)

The Elev8 August posture is to stay invested, but with a more balanced implementation. Financials are the top-ranked sector. Technology remains overweight, but the emphasis is shifting from indiscriminate AI hardware momentum toward cloud, software, services and companies proving AI monetization. Energy remains a tactical hedge. Real Estate remains a rotation beneficiary. Consumer Discretionary is back to a small active overweight after Amazon's quarter, but the sector still requires selectivity.

The base case for August is constructive, broader and more balanced. Earnings remain strong, domestic demand is still positive, and Amazon's quarter reduces the risk that AI capex concerns become a generalized platform-growth problem. However, the Fed is still hawkish, inflation is still above target, real yields are restrictive, and Energy risk remains important.

The preferred exposures are **Financials, Information Technology, Industrials, Real Estate, Energy, selective Health Care and selective Consumer Discretionary**. Financials are the cleanest model-supported overweight. Technology remains important, but the emphasis shifts toward companies proving AI/cloud monetization rather than the most crowded AI hardware names. Industrials remain a broadening sector, but the AI power-infrastructure unwind argues for selectivity. Real Estate remains a structurally oversold rotation beneficiary. Energy remains the portfolio hedge.

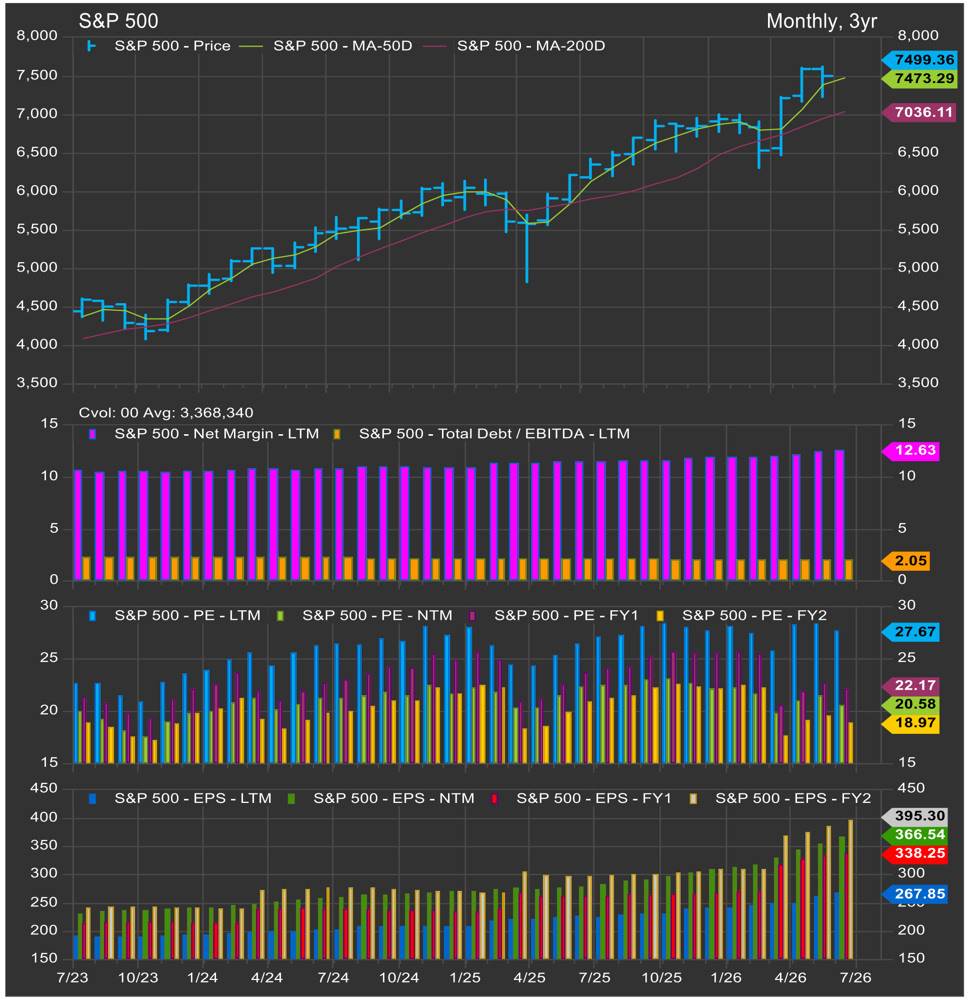
Consumer Discretionary is the most important change from the earlier July setup. Amazon's quarter improves the sector and supports a small active VCR overweight, but this is not a broad consumer-risk call. Tesla remains weak, homebuilders are still pressured by affordability and real rates, and the consumer backdrop is steady but not explosive.

The main sectors to avoid remain **Communication Services, Utilities and Consumer Staples**. Communication Services still has a downtrend pattern and a zero weight despite strong earnings from some platform companies. Utilities have lost low-volatility momentum. Staples worked as a defensive sleeve, but VDC now funds the Energy hedge.

Elev8 Model Positions: August 2026

	BMK Weight	Elev8 Model	+/-
VFH	12.72%	17.23%	4.51%
VGT	35.93%	40.37%	4.44%
VIS	8.75%	11.28%	2.52%
VNQ	1.94%	4.12%	2.18%
VDE	3.37%	5.48%	2.10%
VHT	9.54%	10.16%	0.62%
VCR	8.92%	9.48%	0.56%
VAW	1.96%	1.89%	-0.07%
VDC	4.94%	0.00%	-4.94%
VPU	2.21%	0.00%	-2.21%
VOX	9.72%	0.00%	-9.72%

Fundamentals: S&P 500



The fundamental backdrop remains the strongest support for the S&P 500. FactSet's July 24 update showed **27%** of S&P 500 companies had reported Q2 results, with **86%** beating EPS estimates and aggregate earnings coming in **39.3%** above estimates. The blended Q2 earnings-growth rate rose to **37.9%**, compared with **23.2%** at the end of Q2, and would be the highest growth rate since Q3 2021 if sustained. Excluding Alphabet, Q2 earnings growth would still be a strong **25.9%**. (insight.factset.com)

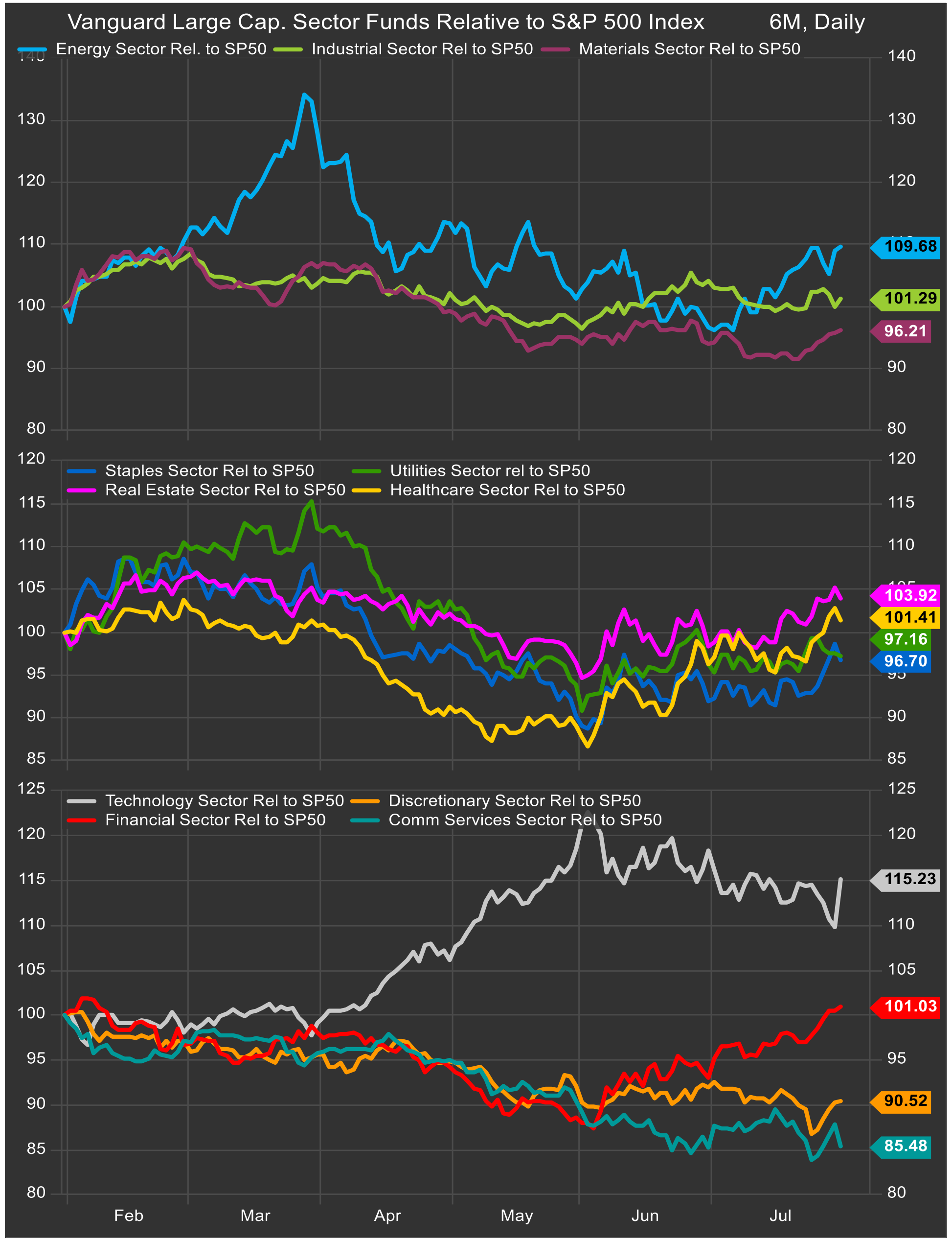
The earnings story is broad, but the market is paying closer attention to the source and durability of growth. Ten of eleven sectors are reporting year-over-year earnings growth, with leadership from Energy, Communication Services, Information Technology and Materials. Revenue growth is also strong: FactSet reported blended Q2 revenue growth of **13.2%**, which would be the highest revenue-growth rate since Q2 2022 if sustained. (insight.factset.com)

Valuation remains the constraint. The forward 12-month P/E ratio is **20.1x**, above the five-year average of **19.9x** and the ten-year average of **19.0x**. That does not invalidate the bull case, but it means August upside depends more on earnings delivery than multiple expansion. The market is rewarding companies that can prove AI monetization, credit resilience, Energy cash flow, defensive growth or rate-sensitive recovery; it is punishing crowded leadership where earnings visibility, capex discipline or real-rate sensitivity become concerns.

Amazon's quarter improves the quality of the S&P 500 setup because it strengthens two important narratives at once: AI/cloud monetization and Consumer Discretionary stabilization. The caveat is that Amazon's capex increase and free-cash-flow pressure keep the "AI spend versus AI return" debate alive. The practical portfolio message is not "buy all growth." It is to favor companies proving that AI investment is translating into revenue growth, backlog, margin durability and cash-flow visibility. (reuters.com)

ETF	Price	1D	1W	1M	3M	6M	RSI
VOO	$741.69	+1.7%	+0.5%	-0.7%	+4.2%	+6.7%	49.2

Sector Performance and Cross Asset Model Sector Scores



Sector Performance and Key Drivers

Sector	ETF Proxy	1M	3M	6M	RSI	Key Driver
Energy	VDE	+11.0%	-0.1%	+17.8%	60.7	Oil rebound, geopolitical hedge demand and renewed inflation-risk protection.
Financials	VFH	+6.3%	+9.8%	+7.6%	62.9	Top model score; banks, capital markets, payments and insurance confirm breadth.
Health Care	VHT	+3.1%	+14.5%	+6.0%	57.4	Life sciences, medtech and providers remain constructive, but active weight is smaller.
Consumer Staples	VDC	+2.9%	+3.1%	+3.8%	53.1	Defensive bid worked, but VDC is now the main funding source.
Real Estate	VNQ	+2.9%	+3.8%	+10.9%	52.9	Oversold rate-sensitive recovery; still a rotation beneficiary.
Materials	VAW	+1.6%	+1.3%	+3.4%	54.4	Modest rebound; now near benchmark but still not the preferred hedge.
S&P 500	VOO	-0.7%	+4.2%	+6.7%	49.2	Index repaired after Amazon/Microsoft cloud validation.
Communication Services	VOX	-0.5%	-7.6%	-8.7%	40.7	Platform/capex/media pressure keeps the sector weak.
Utilities	VPU	-1.5%	-2.2%	+3.1%	43.0	Low-volatility trade faded; no allocation.
Industrials	VIS	-3.7%	+5.0%	+8.7%	46.2	Long-cycle capex theme intact, but power/infrastructure winners reset.
Consumer Discretionary	VCR	-4.2%	-3.8%	-7.7%	44.1	Amazon repair helps; Tesla and homebuilders still constrain broad enthusiasm.
Information Technology	VGT	-7.8%	+10.4%	+17.8%	46.7	AI hardware unwind, partly offset by cloud/AI monetization proof.

Top 10 Stock Level Performers: S&P 500

Symbol	Company	Sector	Pattern	1M Excess	Valuation Rel.	Momentum	Div Yield Rel.	Beta
CTSH	Cognizant Technology Solutions	Information Technology	Downtrend	+39.9%	0.46	3.2	1.74	0.75
PYPL	PayPal	Financials	Support	+34.3%	0.53	16.7	0.39	1.16
ACN	Accenture	Information Technology	Downtrend	+33.5%	0.58	-4.4	2.83	0.93
WDAY	Workday	Information Technology	Support	+29.9%	0.70	18.3	0.00	1.16
WTW	Willis Towers Watson	Financials	Consolidation	+29.3%	0.82	22.7	0.81	0.07
ICE	Intercontinental Exchange	Financials	Downtrend	+27.7%	0.96	2.7	0.95	0.65
BAX	Baxter International	Health Care	Bullish Reversal	+26.2%	0.69	37.4	0.24	0.79
GRMN	Garmin	Consumer Discretionary	Consolidation	+26.0%	1.47	23.8	0.99	0.94
PSX	Phillips 66	Energy	Bullish Reversal	+25.3%	0.55	23.3	1.71	0.57
IQV	IQVIA Holdings	Health Care	Consolidation	+23.8%	0.89	29.6	0.00	1.12

The top 10 list is a **rebound, rotation and earnings-confirmation list**. IT services and software remain prominent, but Financials, Health Care, Energy and Consumer Discretionary are also represented. That is a healthier signal than a one-factor AI hardware tape. Investors are buying laggard recovery, capital-market strength, medtech/life-sciences improvement, Energy cash flow and selected consumer winners.

Amazon does not appear in the top 10, but its impact is important. In the updated stock data, AMZN is no longer a major 1-month excess-return drag; it is closer to neutral with a consolidation pattern. Combined with AWS acceleration, advertising growth and stronger backlog, that is enough to improve the Consumer Discretionary read-through without turning the sector into a high-conviction broad consumer overweight.

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

Symbol	Company	Sector	Pattern	1M Excess	Valuation Rel.	Momentum	Div Yield Rel.	Beta
GLW	Corning	Information Technology	Uptrend	-46.3%	1.82	-19.7	0.62	1.05
SNDK	Sandisk	Information Technology	Uptrend	-42.9%	0.32	16.6	0.00	4.74
KLAC	KLA	Information Technology	Uptrend	-39.5%	1.68	-8.2	0.37	1.24
MRVL	Marvell Technology	Information Technology	Uptrend	-37.7%	1.85	17.4	0.09	2.57
COHR	Coherent	Information Technology	Uptrend	-36.1%	1.47	-21.7	0.01	2.66
INTC	Intel	Information Technology	Uptrend	-34.0%	2.65	4.0	0.03	3.42
GNRC	Generac	Industrials	Bullish Reversal	-33.7%	0.93	-23.5	0.00	2.33
VRT	Vertiv	Industrials	Uptrend	-31.3%	1.47	-23.6	0.07	1.47
LRCX	Lam Research	Information Technology	Uptrend	-30.5%	1.61	0.9	0.29	1.96
FLEX	Flex	Information Technology	Uptrend	-30.2%	1.06	14.3	0.00	2.19

The bottom table remains dominated by **AI hardware and AI infrastructure profit-taking**, but the weakness is no longer exclusively Technology. Generac and Vertiv show that the correction has extended into Industrial power, cooling and backup-power beneficiaries. The market is no longer only resetting semiconductors and memory; it is also marking down crowded data-center power infrastructure winners.

The key nuance is that most of these stocks are still classified as **Uptrend**. The market is not saying the AI buildout is over. It is saying that pricing, positioning and expectations had become too aggressive. Amazon and Microsoft's results help stabilize the AI monetization story, but they do not erase the need for hardware and infrastructure stocks to digest prior gains.

Economic & Policy Drivers: S&P 500

The Fed remains the main policy constraint. The July FOMC held the target range at **3.50%–3.75%** by a **9–3** vote, while Hammack, Kashkari and Logan preferred a 25 bp hike. The statement described economic activity as expanding at a solid pace, capital investment as strong, and inflation as still elevated, partly because supply shocks are driving prices in areas including Energy. (federalreserve.gov)

Growth is slower at the headline level but stronger beneath the surface. BEA's advance Q2 GDP estimate showed real GDP up **1.5% annualized**, with consumer spending, investment and exports contributing positively. Real final sales to private domestic purchasers rose **3.9%**, up from **1.7%** in Q1, which supports the view that domestic demand remains stronger than the headline GDP figure implies. (bea.gov)

Inflation improved in June, but the relief is not clean enough to remove policy risk. CPI fell **0.4%** month over month and rose **3.5%** year over year, with core CPI up **2.6%** year over year. Energy fell **5.7%** on the month, while gasoline fell **9.7%**, but Energy was still up **15.7%** year over year. (bls.gov)

The PCE data support the same interpretation. BEA reported personal income up **0.2%**, PCE up **0.3%**, real PCE up **0.4%**, the PCE price index down **0.1%** month over month, and core PCE up **0.1%**. Year over year, PCE inflation was **3.7%** and core PCE was **3.3%**, which is better than May but still above the Fed's target. (bea.gov)

The labor market is no longer accelerating. June payrolls rose **57,000**, unemployment was **4.2%**, and April and May payrolls were revised down by a combined **74,000**. That cooling supports the model's mixed/transition regime, but it has not yet become a recession signal. (bls.gov)

Business surveys remain expansionary but cost-sensitive. ISM Manufacturing was **53.3** in June, with new orders at **56.0**, while ISM Services was **54.0**, with new orders at **55.1** and prices still elevated at **67.7**. Demand is positive, but input costs and supply constraints remain active issues for margins and sector leadership. (ismworld.org)

What Shaped the Market Narrative in July

The first major narrative was **AI monetization versus AI crowding**. Microsoft and Amazon strengthened the bullish side of the AI debate because both showed strong cloud demand and helped prove that AI infrastructure spending can translate into revenue acceleration. Amazon's AWS growth is especially important because it supports both the cloud/AI thesis and the Consumer Discretionary sector read-through. (reuters.com)

The second narrative was **AI hardware correction without a broken AI cycle**. The bottom 10 table still shows severe pressure in Corning, Sandisk, KLA, Marvell, Coherent, Intel, Lam Research and Flex. The market is distinguishing between companies proving monetization and companies that had become over-owned AI infrastructure bottlenecks. That is why Technology remains overweight, but the implementation needs to be broader and less dependent on hardware momentum.

The third narrative was **Financials leadership**. VFH has the highest Elev8 score, the largest active overweight, and one of the strongest one-month performance profiles. Financials benefit from capital-market activity, payments rebounds, insurance stability, bank capital return and a rate backdrop that supports asset yields without yet producing confirmed credit deterioration.

The fourth narrative was **tactical hedge discipline**. Energy remains overweight despite only a modest model score because the macro risk is asymmetric: if oil and Middle East risk fade, the position can be reduced; if oil spikes again, Energy protects the portfolio better than Materials or Staples. The hedge is funded primarily by zeroing VDC, while VAW is kept near benchmark.

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 — stock-level excess return, valuation multiple relative to index, momentum score, dividend-yield multiple, beta, sector, 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.

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

Federal Reserve FOMC Statement, July 29, 2026 — target range, vote split, labor/growth assessment, inflation language and dissenting votes.

BEA GDP Advance Estimate, Q2 2026 — real GDP growth, consumer spending, investment, exports, imports and final sales to private domestic purchasers.

BEA Personal Income and Outlays, June 2026 — PCE, real PCE, income, disposable income, saving rate and PCE inflation.

BLS CPI, June 2026 — headline CPI, core CPI, Energy, gasoline, food and category-level inflation detail.

BLS Employment Situation, June 2026 — payroll growth, unemployment rate, revisions and sector hiring.

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

ISM Services PMI, June 2026 — services activity, business activity, new orders, employment, prices and services-sector breadth.

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