ETFSector.com

Monthly Insights: August Outlook

Consumer Staples Sector

Patrick Torbert, CMT

Editor & Chief Strategist

Sector Price Action & Performance Review: Consumer Staples Sector

Consumer Staples enter August with **respectable price action but a weak allocation signal**. VDC's source proxy gained **2.9% over one month**, outperforming the S&P 500 proxy's **-0.7%** return, and the sector's RSI remains constructive at **53.1**. The problem is not that Staples are breaking down. The problem is that the defensive trade has already worked, while other sectors now offer better model scores, stronger earnings confirmation or cleaner hedge value.

The strongest industry groups were **Consumer Staples Distribution & Retail**, **Food Products**, **Personal Care Products** and **Beverages**. Kraft Heinz, Dollar General, Target, Casey's, Mondelez, Coca-Cola, J.M. Smucker, Brown-Forman, Estée Lauder and Molson Coors led the stock table. That leadership mix points to value, trade-down retail, packaged-food recovery, beverage pricing power and company-specific rebounds.

The weakest areas were **Tobacco, Household Products, selected mega-cap retail and weaker beverages**. Altria, Constellation Brands, Keurig Dr Pepper, Walmart, Bunge, Procter & Gamble, Kimberly-Clark, Colgate, Church & Dwight and Hershey were the bottom 10. Most of the bottom-table stocks are not collapsing, but the group is not producing enough leadership to justify sector exposure when the model has better opportunities elsewhere.

Amazon's strong quarter also matters indirectly. It improved the Consumer Discretionary outlook and reduced the need to hide in defensive Staples simply because consumer risk looked poor. AWS grew **37%**, advertising grew **26%**, and Amazon raised its 2026 capex plan to **$220B**, helping stabilize the broader growth and consumer platform narrative. That supports the portfolio's decision to fund active risk from Staples rather than reduce core equity exposure.

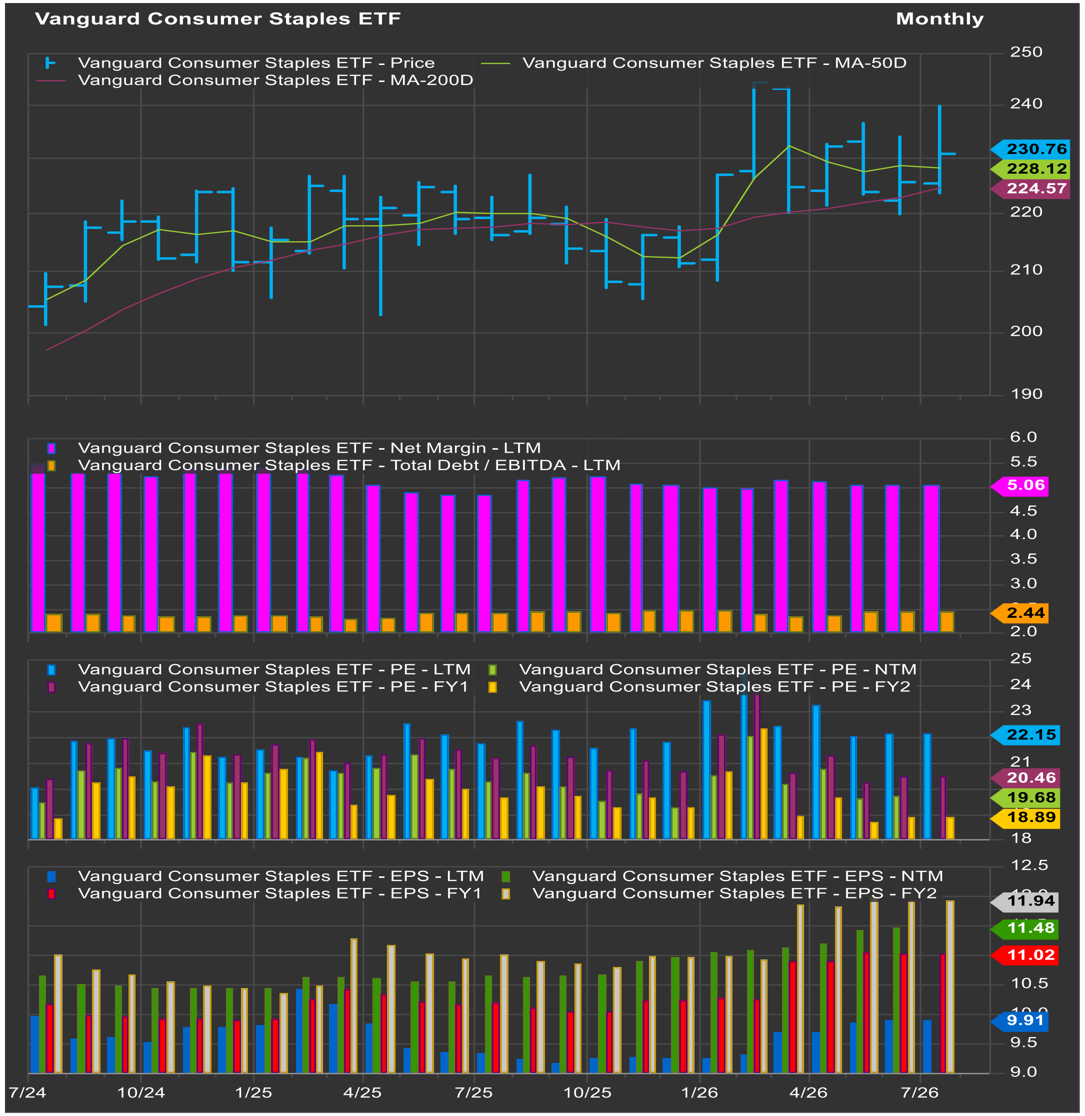
The August outlook for Consumer Staples is **underweight / no allocation**. The sector has positive one-month performance and pockets of strong stock-level leadership, but the model score is negative, the active opportunity cost is high, and the portfolio needs a funding source for stronger exposures.

The best August opportunities are in **Food Products, value retail, select Beverages and company-specific Personal Care rebounds**. Kraft Heinz, Dollar General, Target, Mondelez, Coca-Cola, J.M. Smucker, Brown-Forman and Estée Lauder represent the constructive side of the sector.

The weaker areas are **Household Products, selected mega-cap retail, Tobacco, Constellation Brands and Keurig Dr Pepper**. These stocks may provide defensive income or support, but they are not producing enough leadership to carry VDC.

We start August out of the Staples Sector with an underweight allocation of -4.94% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

Fundamentals: Consumer Staples Sector



The Consumer Staples fundamental backdrop is stable, but not compelling enough for an active sector overweight. Nominal food demand remains supported by sticky food prices, but consumers are still value-sensitive. USDA reported June food prices up **3.0%** year over year, with food-at-home up **2.7%** and food-away-from-home up **3.4%**. The same report showed wide category dispersion, including price increases in fats/oils, beef, dairy and sweets, while nonalcoholic beverages and fresh vegetables fell month over month.

Retail spending is still positive, but not explosive. Census reported June retail and food services sales of **$768.6B**, up **0.2%** month over month and **6.7%** year over year, but the report is not adjusted for price changes. That supports the idea that sales dollars remain solid while real volume and trade-down dynamics matter more.

The best company-level evidence is in beverages, snacks and value retail. Coca-Cola reported Q2 comparable revenue growth of about **6%** to **$13.37B**, raised its 2026 outlook, and lifted comparable EPS growth guidance to **9%–10%**. The company also flagged higher aluminum and PET costs tied to Middle East energy disruptions, which reinforces the margin-risk side of the Staples story.

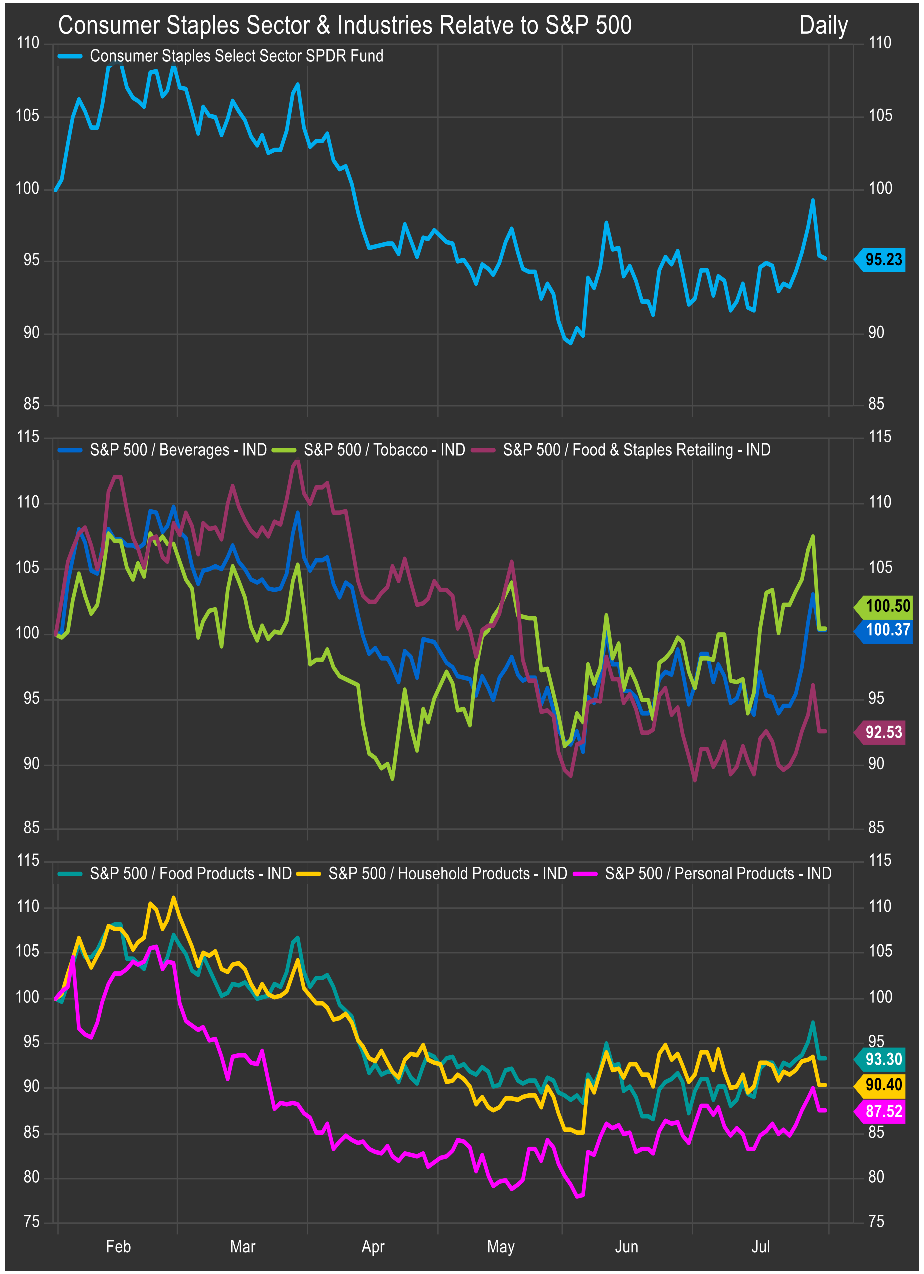
Mondelez also beat Q2 sales and profit expectations, helped by steady biscuit/chocolate demand and pricing. North America pricing rose **2.2 percentage points**, volumes rose **1.2 percentage points**, and the company raised its annual organic revenue growth outlook to at least **2%**. That supports the packaged-food recovery message in the stock table.

Value retail remains resilient. Dollar General reported Q1 net sales up **3.4%** to **$10.8B**, same-store sales up **2.0%**, operating profit up **10.8%**, and diluted EPS up **12.4%**, while raising fiscal 2026 EPS guidance. Costco’s June net sales rose **10.6%** to **$29.24B**, with total comparable sales up **8.8%** and digitally enabled comparable sales up **20.9%**.

Investment takeaway: Staples have stable demand and pockets of strong execution, but the sector’s upside is capped by valuation, lower growth, margin pressure and better opportunities elsewhere. That supports stock selection, not VDC allocation.

ETF	Price	1D	1W	1M	3M	6M	RSI
VOO	$741.69	+1.7%	+0.5%	-0.7%	+4.2%	+6.7%	49.2
VDC	$85.47	-2.2%	+2.7%	+2.9%	+3.1%	+3.8%	53.1

Industry/Sub-Industry Performance and Breadth: Consumer Staples Sector



Indicator	Latest Reading	July Message	Investment Interpretation
Elev8 Consumer Staples score	**-3**	Negative	Model does not support VDC exposure.
Elev8 Consumer Staples rank	**9 / 11**	Lower tier	Sector ranks ahead of Utilities and Communication Services only.
Elev8 pattern	**Bullish Reversal**	Price recovery	Price action improved, but cross-asset and sector factors remain weak.
VDC benchmark weight	**4.9%**	Meaningful defensive sector	Staples remain a notable S&P 500 allocation.
VDC active weight	**-4.9%**	Large underweight	Largest underweight after Communication Services.
VDC 1M return	**+2.9%**	Positive	Defensive bid worked.
VDC 3M return	**+3.1%**	Positive but modest	Sector participated but did not lead the broader rotation.
VDC 6M return	**+3.8%**	Modest	Longer-term return lags Technology, Energy, Real Estate and Industrials.
VDC RSI	**53.1**	Neutral / constructive	Not oversold, but not a strong fresh entry signal.
Food CPI	**+3.0% y/y**	Sticky	Supports nominal revenue, but keeps consumer value sensitivity high.
Food-at-home CPI	**+2.7% y/y**	Grocery pressure	Keeps trade-down/value formats relevant.
10Y real yield	**2.41%**	Restrictive	Supports defensives tactically, but also pressures equity valuation broadly.
WTI crude	**$83.59**	Cost risk	Higher fuel can pressure household budgets and CPG logistics costs.

Top 10 Stock Level Performers: Consumer Staples Sector

Symbol	Company	Sector	Industry	Pattern	1M Excess	Valuation Rel.	Momentum	Div Yield Rel.	Beta
KHC	Kraft Heinz	Consumer Staples	Food Products	Consolidation	+12.4%	0.66	12.7	4.34	0.19
DG	Dollar General	Consumer Staples	Consumer Staples Retail	Consolidation	+12.1%	0.86	3.6	1.31	0.53
TGT	Target	Consumer Staples	Consumer Staples Retail	Bullish Reversal	+11.4%	0.86	14.3	2.16	0.93
CASY	Casey's General Stores	Consumer Staples	Consumer Staples Retail	Uptrend	+9.9%	2.05	11.1	0.21	0.19
MDLZ	Mondelez International	Consumer Staples	Food Products	Consolidation	+9.8%	1.01	3.4	2.33	0.21
KO	Coca-Cola	Consumer Staples	Beverages	Bullish Reversal	+9.6%	1.34	10.1	1.77	0.22
SJM	J.M. Smucker	Consumer Staples	Food Products	Bullish Reversal	+9.4%	0.62	16.3	2.61	0.42
BF.B	Brown-Forman Class B	Consumer Staples	Beverages	Consolidation	+8.9%	0.88	7.3	2.35	0.21
EL	Estée Lauder	Consumer Staples	Personal Care Products	Consolidation	+8.3%	1.36	-0.4	1.21	1.79
TAP	Molson Coors	Consumer Staples	Beverages	Downtrend	+7.4%	0.45	-4.2	3.31	0.45

The top 10 Consumer Staples list is a **value, trade-down and packaged-food recovery list**. Kraft Heinz, Dollar General, Target, Casey's, Mondelez, Coca-Cola, J.M. Smucker, Brown-Forman, Estée Lauder and Molson Coors all outperformed. The mix is defensive, but not purely low-volatility: Target and Estée Lauder carry higher beta, while Casey's has premium valuation and strong momentum.

Kraft Heinz is the largest stock-level rebound, but its Q2 earnings were still scheduled for August 5 as of the latest company calendar, so the stock's move is better interpreted as valuation recovery and event anticipation rather than confirmed Q2 earnings delivery.

The top table has three useful signals. First, investors rewarded **low-valuation, high-dividend packaged-food names** such as KHC, SJM and TAP. Second, the market is still willing to buy **value retail and trade-down exposure**, shown by Dollar General and Target. Third, the strongest beverage name is Coca-Cola, where earnings delivery and pricing power are clearer than in the weaker beverage laggards.

The caution is chart quality. KHC, DG, MDLZ, BF.B and EL are still in consolidation patterns, while TAP remains in a downtrend. This is a recovery table, not a clean momentum-leadership table.

Bottom 10 Stock Level Performers: Consumer Staples Sector

Symbol	Company	Sector	Industry	Pattern	1M Excess	Valuation Rel.	Momentum	Div Yield Rel.	Beta
MO	Altria	Consumer Staples	Tobacco	Bullish Reversal	-4.8%	0.61	-4.6	4.54	0.29
STZ	Constellation Brands	Consumer Staples	Beverages	Support	-4.8%	0.56	-15.9	2.26	0.24
KDP	Keurig Dr Pepper	Consumer Staples	Beverages	Bullish Reversal	-2.8%	0.67	3.3	2.12	0.32
WMT	Walmart	Consumer Staples	Consumer Staples Distribution & Retail	Support	-1.1%	1.87	-12.7	0.64	0.40
BG	Bunge Global	Consumer Staples	Food Products	Consolidation	-0.8%	0.52	-13.3	1.95	0.38
PG	Procter & Gamble	Consumer Staples	Household Products	Downtrend	-0.3%	1.06	-4.8	2.18	0.41
KMB	Kimberly-Clark	Consumer Staples	Household Products	Consolidation	+1.1%	0.76	6.3	3.35	0.29
CL	Colgate-Palmolive	Consumer Staples	Household Products	Consolidation	+1.3%	1.20	1.6	1.65	0.31
CHD	Church & Dwight	Consumer Staples	Household Products	Consolidation	+1.6%	1.29	-1.9	0.90	0.40
HSY	Hershey	Consumer Staples	Food Products	Support	+1.8%	0.99	-6.2	2.32	0.02

The bottom 10 table shows why Staples are not a sector overweight. The weakest names include Tobacco, mega-cap retail, household products, beverages and food products. These are not all broken stocks, but they are not providing enough leadership to justify VDC exposure.

Walmart and Target still have earnings ahead in mid-August, which makes the retail read-through incomplete. Barron’s noted that the retail earnings season begins with Target on August 19 and Walmart on August 20, with investors likely to focus on topline sales quality rather than temporary margin boosts.

The bottom table is more about **opportunity cost** than outright stress. Several bottom-10 names still have positive one-month excess returns, and most have low beta and above-index dividend yield. That is precisely the issue: Staples are stable, but stability is not enough when Financials, Technology, Industrials, Real Estate and Energy offer stronger active allocation signals.

The Household Products group is the clearest example. Procter & Gamble, Kimberly-Clark, Colgate and Church & Dwight are defensive, but the group’s average one-month excess return was only **+1.2%**, and PG remains in a downtrend. These are ballast holdings, not August leadership names.

Economic & Policy Drivers: Consumer Staples Sector

Consumer Staples Distribution & Retail

Consumer Staples Distribution & Retail is the strongest industry by equal-weight return, led by Dollar General, Target and Casey's. The market is rewarding value, convenience, trade-down and resilient traffic. Dollar General's Q1 results support that message, with positive same-store sales, operating profit growth and higher EPS guidance.

Costco remains fundamentally strong, but it did not lead the stock table because valuation already reflects a lot of quality. June net sales rose **10.6%**, total company comparable sales rose **8.8%**, and digitally enabled comparable sales rose **20.9%**.

August read: constructive stock selection, not sector allocation. Favor value and trade-down retail; be careful with premium-valued mega-cap retail.

Food Products

Food Products are a preferred Staples pocket. KHC, SJM, MDLZ, GIS, Tyson and ADM all outperformed. The group has below-index average valuation and a high average dividend-yield multiple, making it the cleanest value/income sleeve inside Staples.

Mondelez is the best earnings-confirmed example, with Q2 sales and profit beating estimates and management raising organic revenue growth guidance. The company also showed that pricing and volume can both contribute when demand is stable and pack-size/category strategy is working.

August read: selective positive. Favor packaged-food names with low valuation, high dividend support and evidence that volume pressure is stabilizing.

Beverages

Beverages are mixed. Coca-Cola is the clear leader, while Constellation Brands and Keurig Dr Pepper lagged. Coca-Cola's Q2 report showed resilient demand, margin improvement and higher full-year guidance, but it also highlighted cost pressure from aluminum, PET and energy-linked inputs.

August read: favor Coca-Cola and select beverage value; remain cautious on weaker alcohol and coffee/soda names with negative momentum.

Household Products

Household Products are stable but not leadership. Kimberly-Clark, Colgate and Church & Dwight were positive but modest, while Procter & Gamble remained in a downtrend. The group provides quality and dividends, but price action is not strong enough to justify a sector allocation.

P&G remains a core dividend-quality company, having declared a July quarterly dividend and noted **70 consecutive years** of dividend increases, but dividend reliability alone is not enough for August leadership.

August read: defensive hold only. Useful in a risk-off tape, but not a preferred allocation while cyclicals and growth are repairing.

Personal Care Products

Personal Care Products are mixed. Estée Lauder rebounded sharply, but it remains a higher-beta stock with negative momentum. Kenvue is more defensive, with a Bullish Reversal pattern and strong dividend support.

August read: tactical. EL can rebound if beauty demand and China/travel retail improve, but the industry remains stock-specific.

Tobacco

Tobacco remains income-oriented but not leadership. Philip Morris outperformed, while Altria lagged. The group has high dividend-yield support, low beta and low valuation, but regulatory and volume risk remain structural constraints.

August read: income only. Tobacco is not a fresh August leadership theme.

What Shaped the Consumer Staples Narrative in July

The first major narrative was **defensive rotation fatigue**. Staples held up and outperformed over one month, but the sector did not generate a strong enough model score to stay in the portfolio. The defensive bid worked; the August process now redeploys that capital into stronger model and tactical opportunities.

The second narrative was **value and trade-down leadership**. Dollar General, Target, Kraft Heinz, Smucker, Mondelez and selected beverage names show that investors still want consumer exposure where valuation, pricing power, dividend support or value-seeking demand are visible.

The third narrative was **sticky food inflation without a volume boom**. Food prices are still rising faster than the Fed's inflation target, but consumers remain value-sensitive, and companies are relying on pack architecture, trade-down formats, pricing and productivity to protect margins. USDA and BLS data both show food inflation remains positive but uneven across categories.

The fourth narrative was **Amazon reduced the need for defensive shelter**. Amazon's strong quarter improved the broader consumer and AI/cloud read-through, which makes it easier for the portfolio to fund active overweights from Staples rather than cut equity exposure outright.

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 Staples stock-level excess return, valuation multiple relative to index, momentum score, dividend-yield multiple, beta, industry and chart pattern.
- **BLS** Consumer Price Index, June 2026 — food CPI, food-at-home inflation, food-away-from-home inflation, energy and gasoline inflation.
- **USDA ERS** Food Price Outlook, July 2026 — food-price category dispersion, food-at-home inflation and food-away-from-home inflation.
- **U.S. Census Bureau** Monthly Retail Trade Report, June 2026 — retail and food services sales, monthly retail sales and year-over-year spending context.
- **Amazon / Reuters** Q2 2026 earnings coverage — AWS growth, advertising growth, capex plan, backlog and broader consumer/platform read-through.
- **Coca-Cola / Reuters** Q2 2026 earnings coverage — comparable revenue growth, EPS outlook raise, World Cup demand, margin and input-cost commentary.
- **Mondelez / Reuters** Q2 2026 earnings coverage — sales/profit beat, pricing, volume, organic revenue outlook and packaged-food demand.
- **Dollar General** Q1 2026 earnings release — sales, same-store sales, operating profit, EPS guidance and value-retail demand.
- **Costco** June 2026 sales release — net sales, comparable sales, digitally enabled comparable sales and dividend.
- **P&G** July 2026 dividend release — dividend history and defensive income context.

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