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Monthly Insights: August Outlook

Utilities Sector

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Sector Price Action & Performance Review: Utilities

Utilities enter August with a materially weaker allocation signal than they carried into July. The sector's macro proxy declined **1.5% over the past month**, compared with a **0.7% decline for the S&P 500 proxy**, while its three-month return fell to **-2.2%** versus **+4.2%** for the broader market. The sector's RSI declined to **38.47**, confirming weaker momentum but not yet establishing a deeply oversold reversal signal.

The stock-level picture was also softer. The average Utilities constituent underperformed the S&P 500 by **1.2% over one month**, while the market-cap-weighted excess return was **-0.6%**. Only **39% of Utilities stocks are above their 50-day moving averages**, although **61% remain above their 200-day averages**. That combination suggests deteriorating near-term breadth within a longer-term structure that has not fully broken down.

The strongest stock-level performance came from Edison International, Constellation Energy, PG&E, American Water Works, FirstEnergy, Eversource and Dominion. Leadership was concentrated in selected regulated electric utilities, water exposure and company-specific reversals. The weakest names included NRG Energy, Alliant, DTE, American Electric Power, Vistra, Entergy, WEC Energy, CMS Energy, Pinnacle West and NiSource.

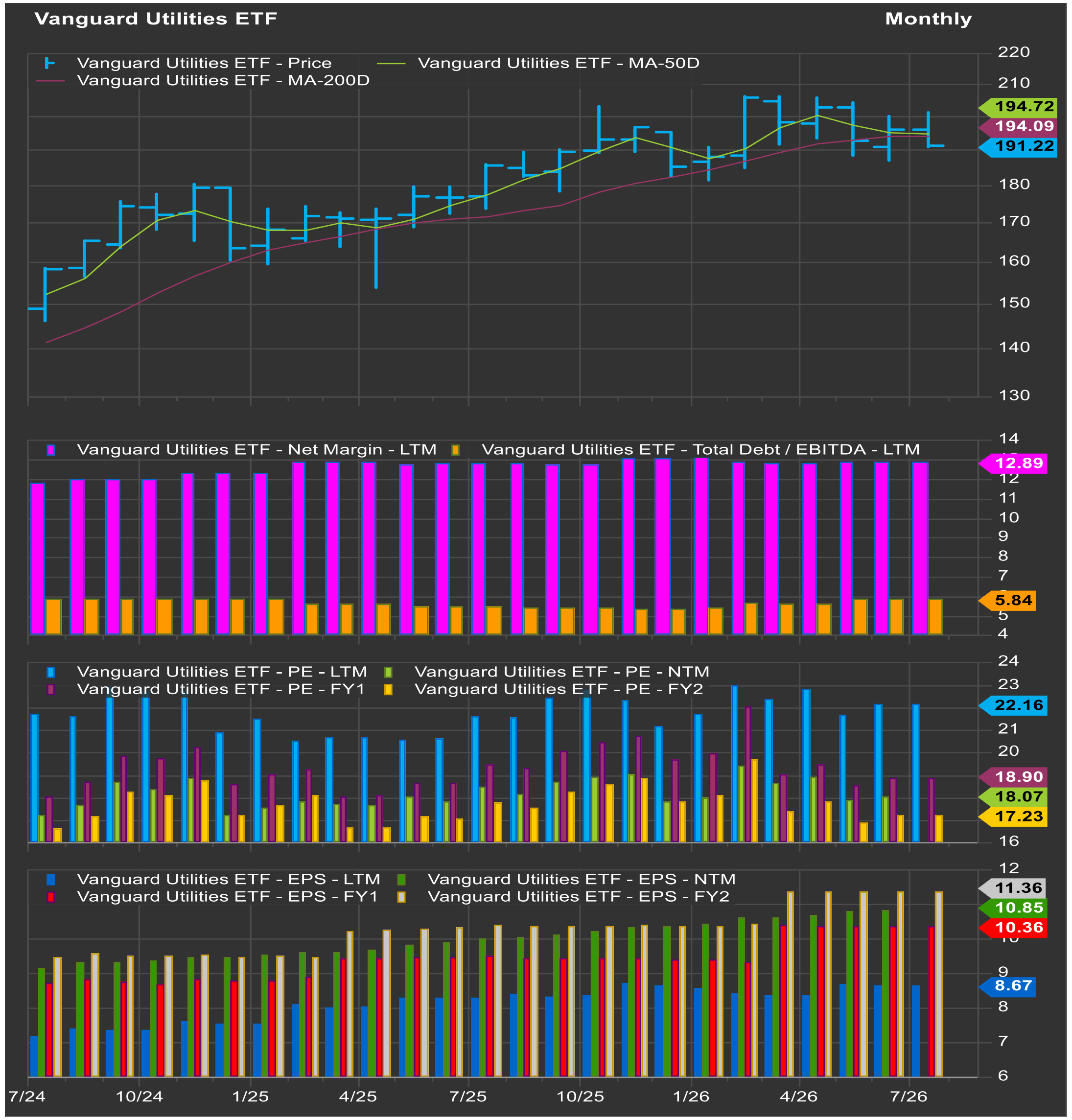
The key July change was that neither traditional regulated utilities nor the high-beta AI-power beneficiaries produced broad leadership. Constellation and PG&E performed well, but Vistra and NRG lagged sharply. Multi-Utilities also weakened, with DTE, WEC, CMS and NiSource among the bottom performers. This is a less constructive breadth profile than the regulated-utility rebound that supported the sector in June.

The August outlook for Utilities is challenged. The long-term power-demand case remains intact. Data centers, manufacturing, electrification, grid modernization and reliability investment are increasing capital requirements and potential rate-base growth. The near-term allocation problem is that the sector is not converting those fundamentals into relative price leadership. Higher real yields, weak short-term breadth and rotation toward Financials, Technology, Industrials, Real Estate and Energy create a high opportunity cost for holding VPU.

The best August opportunities remain selective. Edison International, PG&E, Dominion, Eversource and selected regulated electric utilities offer improving stock-level signals. Constellation remains central to the nuclear and power-scarcity theme, but its Retracement pattern and negative momentum argue against treating it as clean trend leadership.

We start August out of the Utilities Sector with an underweight allocation of -2.21% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

Fundamentals: Utilities Sector



The fundamental backdrop remains better than the sector's price action. FactSet expects the S&P 500 Utilities sector to produce **13.4% year-over-year earnings growth in Q2**, the fourth-highest growth rate among the 11 sectors. All five Utilities industries are projected to report positive growth: Independent Power and Renewable Electricity Producers at 59%, Gas Utilities at 24%, Electric Utilities at 12%, Multi-Utilities at 9% and Water Utilities at 7%.

The outlook extends beyond one quarter. FactSet expects Utilities earnings growth of **8.0% in Q3 2026, 15.8% in Q4, 5.2% in Q1 2027 and 11.8% in Q2 2027**. The earnings story is therefore stronger than a traditional low-growth defensive cycle, but it is also becoming more dependent on capital investment, regulatory recovery and the timely conversion of prospective electricity demand into contracted load.

American Electric Power illustrates the opportunity. AEP now identifies **69 GW of additional load through 2030 backed by signed customer financial commitments**, a $78 billion five-year capital plan and a targeted 7%–9% long-term growth rate. The company raised its 2026 operating EPS guidance to $6.25–$6.55 and expects load growth and federal financing programs to offset a meaningful portion of customer costs.

Dominion also confirmed the scale of data-center demand. Its contracted Virginia data-center capacity reached approximately **53.8 GW**, while second-quarter adjusted operating earnings from the Virginia segment rose 22%. The offset was a sharp increase in operating expenses as the company spent more on fuel, grid upgrades and maintenance. That is the sector's core fundamental trade-off: faster demand growth is raising earnings potential, but also increasing the cost and regulatory complexity of serving that demand.

PG&E reported second-quarter core EPS of $0.40, up from $0.31, and reaffirmed 2026 core EPS guidance of $1.64–$1.66. The company's data-center pipeline exceeds 12 GW, and management estimates that—with appropriate pricing—each gigawatt of new data-center load could reduce monthly customer bills by 1% or more. PG&E provides a useful example of how load growth can support both earnings and affordability when tariffs allocate infrastructure costs appropriately.

Valuation and financing remain the constraints. The current MTIR Macro Model places the ten-year real yield at **2.41%**, with ten-year breakeven inflation at **2.27%**, implying a nominal yield near **4.68%**. Those levels increase financing costs for capital-intensive utilities and limit the valuation benefit normally associated with defensive dividend exposure.

The fundamental conclusion is positive but selective. Earnings growth, signed large-load agreements and grid investment support a multi-year Utilities story. The August portfolio nevertheless requires both fundamental growth and market confirmation. That second condition is currently missing.

Ticker	Exposure	Price	1D	1W	1M	3M	6M	RSI
VOO	S&P 500	$741.69	+1.7%	+0.5%	-0.7%	+4.2%	+6.7%	49.2
VPU	Utilities	$44.66	-0.6%	-3.3%	-1.5%	-2.2%	+3.1%	38.7

Industry Performance and Breadth: Utilities

Indicator	Latest Reading	July Message	Investment Interpretation
Utilities Elev8 score	**-6**	Strong negative	Updated model does not support VPU exposure.
Utilities Elev8 rank	**T-10 / 11**	Tied last	Utilities are tied with Communication Services for the weakest score.
Model profile	**Consolidation**	Sideways / weakening	Price structure has not broken down, but lacks positive trend confirmation.
Mean stock rating	**3.70**	Negative input	Broad constituent ratings remain unfavorable.
Cap-weighted stock rating	**3.77**	Negative input	Larger holdings do not improve the stock-rating signal.
VPU active weight	**-2.21%**	Underweight	Capital is redirected toward higher-scoring sectors.
VPU 1M return	**-1.5%**	Underperformed	Utilities lagged the S&P 500 by approximately 80 basis points.
VPU 3M return	**-2.2%**	Weak	Sector lagged the S&P 500 by approximately 650 basis points.
VPU 6M return	**+3.1%**	Positive but lagging	Defensive return remains positive but trails the broader market.
VPU RSI	**43.0**	Weak / neutral	Momentum has deteriorated without reaching a strong oversold extreme.
10Y nominal yield	**4.68%**	Restrictive	High discount and financing rates pressure utility valuations.
10Y real yield	**2.41%**	Restrictive	Limits re-rating for dividend and capital-intensive exposures.
10Y breakeven inflation	**2.27%**	Elevated but contained	Inflation expectations remain above the Fed's objective.
WTI crude	**$83.59/bbl**	Energy-cost risk	Higher fuel and transportation costs can affect bills and inflation expectations.
Bloomberg Commodity Index	**132.13**	Commodity pressure higher	Supports Energy as an inflation hedge and reduces the relative appeal of classic defensives.

Top 10 Stock Level Performers: Utilities

Symbol	Company	Industry	Pattern	1M Excess	Valuation Rel.	Momentum Score	Div. Yield Rel.	Beta
EIX	Edison International	Electric Utilities	Bullish Reversal	**+7.7%**	0.64	+12.2	3.17	0.10
CEG	Constellation Energy	Electric Utilities	Retracement	**+6.9%**	1.08	-10.2	0.46	1.70
PCG	PG&E	Electric Utilities	Consolidation	**+6.5%**	0.53	+5.5	0.79	-0.08
AWK	American Water Works	Water Utilities	Consolidation	**+4.7%**	1.12	+3.2	1.84	0.07
FE	FirstEnergy	Electric Utilities	Consolidation	**+3.2%**	0.88	+0.4	2.70	0.03
ES	Eversource Energy	Electric Utilities	Consolidation	**+2.9%**	0.80	+2.3	3.03	0.72
D	Dominion Energy	Multi-Utilities	Bullish Reversal	**+2.9%**	0.97	+5.8	2.73	0.68
AES	AES	Independent Power & Renewable Electricity Producers	Consolidation	**+2.1%**	0.32	-0.1	3.45	0.82
ATO	Atmos Energy	Gas Utilities	Consolidation	**+1.9%**	1.01	-5.4	1.64	0.23
NEE	NextEra Energy	Electric Utilities	Bullish Reversal	**+0.9%**	1.07	-7.5	2.01	0.49

The top table is a mix of regulated utility recovery, water exposure and selected AI-power beneficiaries. Edison International led the sector with a Bullish Reversal pattern, low relative valuation and a dividend yield more than three times the S&P 500 level. PG&E also combined positive price action with an inexpensive valuation and improving momentum.

Constellation Energy was the second-best performer, but its stock remains classified as a Retracement and carries a negative momentum score. That distinction is important: the nuclear and power-scarcity thesis remains intact, but the stock has not yet re-established clean intermediate-term leadership.

PG&E provides the strongest earnings-confirmed example in the table. The company increased second-quarter core EPS to $0.40 from $0.31, reaffirmed full-year guidance and reported a data-center pipeline exceeding 12 GW. Those results support the stock's positive momentum and Buy rating.

Dominion also produced strong operational confirmation after the stock-data cut, with contracted data-center capacity approaching 54 GW and Virginia adjusted operating earnings rising 22%. The results reinforce Dominion's load-growth opportunity, although higher operating expenses show that incremental demand is not costless.

Bottom 10 Stock Level Performers: Utilities

Symbol	Company	Industry	Pattern	1M Excess	Valuation Rel.	Momentum Score	Div. Yield Rel.	Beta
NRG	NRG Energy	Electric Utilities	Consolidation	**-7.5%**	0.67	-14.7	1.03	1.16
LNT	Alliant Energy	Electric Utilities	Bullish Reversal	**-6.3%**	1.03	-5.2	2.17	0.25
DTE	DTE Energy	Multi-Utilities	Consolidation	**-6.2%**	0.91	-6.7	2.39	0.28
AEP	American Electric Power	Electric Utilities	Bullish Reversal	**-5.8%**	1.00	-6.4	2.15	0.25
VST	Vistra	Independent Power & Renewable Electricity Producers	Consolidation	**-5.5%**	0.75	-9.0	0.48	1.78
ETR	Entergy	Electric Utilities	Bullish Reversal	**-5.2%**	1.17	-6.0	1.70	0.10
WEC	WEC Energy Group	Multi-Utilities	Consolidation	**-5.0%**	0.98	-7.5	2.47	0.11
CMS	CMS Energy	Multi-Utilities	Consolidation	**-4.8%**	0.93	-6.7	2.25	0.02
PNW	Pinnacle West Capital	Electric Utilities	Bullish Reversal	**-4.5%**	1.01	-3.3	2.61	0.12
NI	NiSource	Multi-Utilities	Bullish Reversal	**-4.5%**	1.08	-7.3	1.93	0.33

The bottom table is more bearish than it was in June. All ten stocks produced negative one-month excess returns, and the weakness included both high-beta merchant-power names and traditional regulated utilities.

NRG and Vistra are the clearest examples of the tactical reset in the AI-power trade. Both retain exposure to tight power markets, generation scarcity and data-center demand, but their negative one-month returns and momentum scores show that investors are no longer rewarding the theme indiscriminately. NRG's beta of 1.16 and Vistra's beta of 1.78 also make them less useful as traditional defensive Utilities holdings.

Multi-Utilities were broadly weak. DTE, WEC Energy, CMS Energy and NiSource all appear in the bottom table. These companies still offer regulated earnings and dividend support, but July price action indicates that low beta and income were not enough to overcome rising yields and stronger opportunities elsewhere.

American Electric Power is the most important fundamental-versus-price divergence. AEP raised its 2026 earnings guidance, expanded its identified new-load opportunity to 69 GW and maintains a $78 billion capital plan. Its stock still underperformed by 5.8% over the month and carries a negative momentum score. The market appears to be balancing the long-term demand opportunity against financing, execution and customer-affordability risk.

Economic & Policy Drivers: Utilities Sector

Electric Utilities

Electric Utilities remain the core long-term opportunity inside the sector. FactSet expects the industry to produce approximately **12% year-over-year Q2 earnings growth**, supported by rate-base expansion, stronger load and investment in generation, transmission and distribution.

The stock-level results were mixed. Edison International, Constellation Energy, PG&E and FirstEnergy led, while NRG, Alliant, American Electric Power, Entergy and Pinnacle West appeared in the bottom table.

AEP and PG&E demonstrate the scale of the load-growth opportunity. AEP reports 69 GW of new load through 2030 backed by signed customer commitments, while PG&E reports a pipeline exceeding 12 GW. These are strategically important numbers because signed or financially supported demand is more valuable than speculative interconnection requests.

August read: Selective positive. Favor utilities with signed load commitments, adequate generation and transmission plans, constructive regulatory jurisdictions and mechanisms that protect existing customers from stranded infrastructure costs.

Multi-Utilities

Multi-Utilities were the weakest regulated group in July, with an average one-month excess return of **-3.1%**. Dominion was the main positive exception; DTE, WEC Energy, CMS Energy and NiSource were bottom-10 performers.

Dominion's second-quarter results confirmed powerful data-center demand in Virginia, with contracted capacity approaching 54 GW. The accompanying increase in operating expenses highlights the issue facing the industry: utilities can capture large-load growth only by funding substantial new generation, grid and maintenance requirements.

Exelon offers another caution. The company maintained its $41 billion investment plan through 2029 but reduced its projected data-center pipeline by approximately 16% after screening prospective requests. That reinforces the need to distinguish contracted demand from duplicative or speculative projects.

August read: Neutral to selective. Dominion has the clearest data-center demand profile, but the industry's weak stock breadth argues against using Multi-Utilities as a broad defensive sleeve.

Independent Power & Renewable Electricity Producers

Independent Power remains strategically attractive but tactically volatile. Constellation Energy gained 6.9%, AES gained 2.1% and Vistra underperformed by 5.5%. The industry's cap-weighted one-month excess return was **-4.2%**, reflecting Vistra's greater market capitalization.

FactSet expects the industry to produce the sector's strongest Q2 earnings growth at approximately **59%**. That growth reflects tight power markets, higher capacity values, generation scarcity and strong demand. The stocks nevertheless remain sensitive to valuation, contract announcements, regulatory policy, hedging and the timing of earnings delivery.

August read: Selective hold rather than fresh chase. Constellation remains the preferred scarcity and nuclear exposure, but its Retracement pattern requires improved momentum. AES offers valuation and yield but lacks strong price confirmation. Vistra requires stabilization after its July underperformance.

Gas Utilities

Atmos Energy was the only Gas Utilities constituent and produced a positive 1.9% one-month excess return. FactSet expects Gas Utilities to generate approximately **24% Q2 earnings growth**, the second-highest industry growth rate in the sector.

The industry has regulated cash flow and low beta but less direct exposure to the AI and data-center electricity theme. It is also sensitive to infrastructure replacement, safety spending, state policy and long-term gas-transition risk.

August read: Neutral. Atmos offers stability, but its negative momentum and limited load-growth leverage make it a lower-priority allocation.

Water Utilities

American Water Works was the fourth-best Utilities stock, with a 4.7% one-month excess return. The company offers low beta, regulated quality and infrastructure scarcity, but trades at a modest valuation premium to the S&P 500.

FactSet expects Water Utilities to produce approximately **7% Q2 earnings growth**, the lowest of the five Utilities industries but still positive.

August read: Defensive hold. American Water Works is useful for stability, but its narrower growth profile does not offset the broad-sector allocation signal.

Grid Policy and Large-Load Cost Recovery

Grid policy remains the most important Utilities policy issue. In June, FERC ordered all six regional grid operators under its jurisdiction to justify or reform tariffs governing data centers and other large-load customers. The proceedings focus on faster interconnection, reliability, transparency and affordability.

The most investment-relevant element is cost allocation. FERC's proposed framework includes cost-recovery agreements intended to ensure that large customers pay for infrastructure built on their behalf—even when a proposed project is delayed or never comes online. The process also targets speculative or duplicative interconnection requests that can distort demand forecasts and expose residential customers to unnecessary costs.

This policy can be positive for well-positioned utilities. Clear tariffs and financial commitments can accelerate large-load connections, improve demand visibility and support approved capital spending. It can be negative when regulators determine that projected load is speculative, reject proposed cost allocation or resist customer-bill increases.

August read: Favor companies with signed customer commitments, transparent cost-recovery agreements and constructive state and federal regulatory frameworks.

What Shaped the Utilities Narrative in July

July's Utilities narrative was **strong fundamentals without broad price confirmation**. Earnings expectations remained healthy, large-load announcements continued and several utilities reported growing data-center pipelines. The sector nevertheless underperformed as real yields remained restrictive and investors favored sectors with stronger near-term momentum.

The market also became more discriminating about load forecasts. AEP emphasized signed financial commitments, PG&E discussed pricing structures that could reduce customer bills, and Exelon removed prospective projects after screening its pipeline. The question is shifting from "How much data-center demand exists?" to "How much is contracted, financeable and recoverable through rates?"

That distinction explains the August underweight. The structural power-demand case is credible, but Utilities are not a homogeneous AI infrastructure trade. Company selection, regulatory quality, balance-sheet capacity and customer-cost protection matter more than owning VPU broadly.

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

ETFInsight / Myrtle Tree Investment Research Macro Technical Model, July 30, 2026 — SPY and XLU source-proxy prices, returns, RSI, moving averages, relative strength, Macro Regime Index, macro pillars, Treasury real yields, breakeven inflation, commodities, volatility, credit and breadth.
ETFInsight / Myrtle Tree Investment Research Elev8 Model Dashboard and Positioning, July 31, 2026 — VPU price pattern, stock-rating inputs, sector and industry technical signals, macro-trend inputs, output score, benchmark weight, portfolio weight and active weight.
FactSet 20260731_SP50_Stock_Data.xlsx — Utilities stock-level one-month excess returns, market capitalization, valuation multiple relative to the S&P 500, momentum score, dividend-yield multiple, beta, GICS industry, model rating and chart-pattern classification.
FactSet S&P 500 Utilities Sector Earnings Preview: Q2 2026, July 15, 2026 — expected sector and industry earnings growth and forward quarterly earnings-growth estimates.
Federal Energy Regulatory Commission, June 18, 2026 — large-load integration orders covering data centers, tariff reform, speed-to-power, reliability, affordability and regional grid operators.
FERC Commissioner Rosner Remarks on Large-Load Orders, June 18, 2026 — cost-recovery agreements, customer protections, speculative-project screening, transparency and transmission-planning implications.
American Electric Power Q2 2026 Results and Investor Materials, July 30–31, 2026 — earnings guidance, capital plan, signed load commitments, generation plans, long-term growth target and customer-cost offsets.
PG&E Q2 2026 Earnings Release, July 23, 2026 — quarterly EPS, full-year guidance, operating-cost program, data-center pipeline and projected customer-bill benefit from properly priced large loads.
Dominion Energy Q2 2026 Earnings Coverage, July 31, 2026 — Virginia data-center capacity, segment earnings, revenue, operating expenses and grid-investment requirements.
Exelon Q2 2026 Earnings Coverage, July 30, 2026 — capital-spending plan, data-center pipeline screening and the distinction between prospective and actionable load.
U.S. Energy Information Administration Short-Term Energy Outlook, July 7, 2026 — energy-market outlook, electricity and natural-gas demand, generating capacity and fuel-price 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

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

Metric Interpretation/Descriptions

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

Deviation from Trend

Intermediate-term: Price % Above/Below 200-day moving average

Near-term: Price % Above/Below 50-day moving average

Overbought/Oversold (We want to sell overbought charts with declining momentum)

Overbought = Stock price > 25% above 200-day m.a.

Oversold = Stock price > 20% below 200-day m.a.

Near-term Overbought/Oversold (Signals depend on trend context)

Overbought = Stock price > 15% above 50-day m.a.

Oversold = Stock price > 15% below 50-day m.a.