ETFSector.com

Monthly Insights: September Outlook

Communication Services Sector

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Sector Price Action & September Outlook: Communication Services



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August recap. Communication Services (VOX) rose +2.6% in August versus +2.7% for the S&P 500 (VOO), but the bounce did not repair the intermediate trend. VOX is still down -4.3% over three months and -2.8% over six months, making it one of the weakest September sector setups.

Model message. The ETFSector.com Macro Model gives Communication Services (VOX) a -2.0 final score, a Underweight stance and an 11 / 11 rank. The key input is the -5.3% 63-day relative-strength reading, the weakest sector reading in the model.

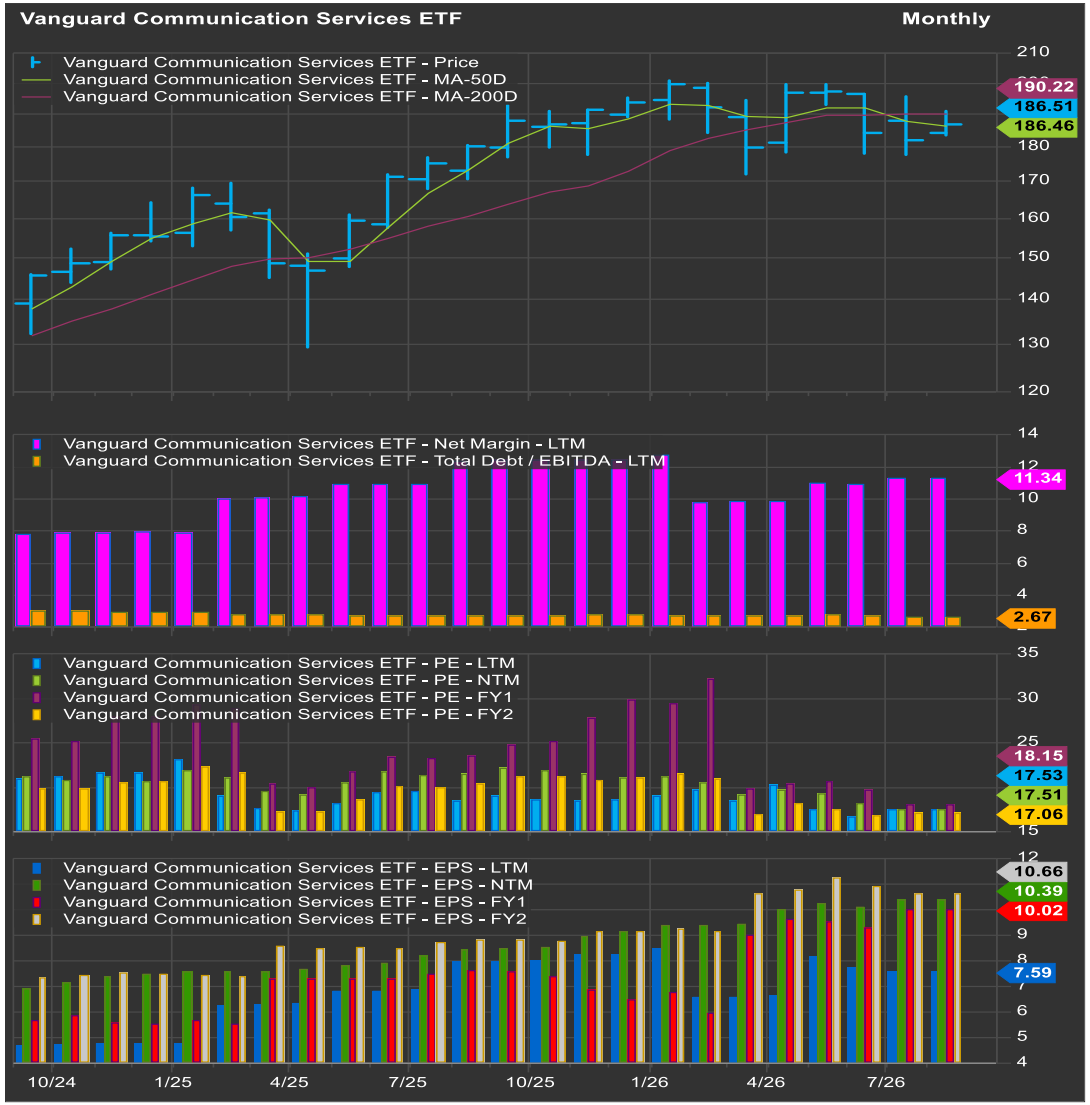
Stock evidence. The average Communication Services stock produced +2.4% one-month excess return, but breadth is uneven: 75% of names beat the S&P 500 (VOO), 54% are above their 50-day averages and 50% are above their 200-day averages. Telecom and value media helped, while Alphabet (GOOGL/GOOG), Trade Desk (TTD) and AppLovin (APP) were major drags.

September pivots. The sector's month will be shaped by the September 4 payrolls report, September 10 PPI, September 11 CPI, the September 15–16 FOMC, AI-capex scrutiny at Meta and Alphabet, search-antitrust remedies, sports-rights economics, the Paramount Skydance / Warner Bros. Discovery merger litigation and the durability of telecom free cash flow.

Investment narrative. Communication Services (VOX) is helped by resilient digital advertising, streaming scale, telecom cash flow, low valuations in legacy media and AI-driven ad targeting. The sector is hurt by high AI spending, weak free-cash-flow conversion, rising real yields, regulatory pressure, media leverage, cable subscriber losses and uncertainty around search, app-store and content-distribution economics.

Portfolio view. Keep Communication Services (VOX) underweight for September. Favor stock-specific opportunities in telecom and value media—AT&T (T), Verizon (VZ), News Corp. (NWSA/NWS), Fox (FOXA/FOX) and selected streaming exposure such as Netflix (NFLX)—but avoid broad VOX beta until Alphabet (GOOGL), Meta (META), Trade Desk (TTD) and AppLovin (APP) stabilize.

Fundamentals and September Earnings Setup: Communication Services



Fundamentals are better than the model score, but the quality of those fundamentals is uneven. Digital advertising is still growing, streaming scale is improving and telecom free cash flow is more credible. The problem is that the largest platforms are spending aggressively on AI, traditional media still carries leverage and cable continues to lose broadband subscribers.

Alphabet is the most important stock-level tension. Alphabet (GOOGL) reported 24% revenue growth, 17% Search growth, 13% YouTube advertising growth and 82% Google Cloud growth in Q2, but the stock remains a September question because the market is focused on AI capex, search-remedy risk and whether cloud growth can offset pressure in the core search franchise.

Meta has a different version of the AI problem. Meta (META) reported 28% revenue growth, 14% ad-impression growth and a 12% increase in average price per ad, but costs and expenses rose 55%, capex was $31.1B and free cash flow fell to $784M. That makes Meta a strong advertising business but a less attractive free-cash-flow story in the current rate environment.

Telecom is the cleanest positive fundamental pocket. AT&T (T) added 432,000 postpaid phone customers, 646,000 advanced-connectivity internet customers and generated $4.7B of free cash flow. Verizon (VZ) added 184,000 postpaid phone customers and 348,000 broadband customers, while raising full-year guidance. This supports telecom stock selection even if VOX remains underweight.

September takeaway. Communication Services (VOX) needs proof that AI spending can become cash flow, not just revenue growth. Until then, the better implementation is low-valuation telecom, select media catalysts and profitable streaming rather than broad exposure to the whole sector.

ETF	Price	1D	1W	1M	3M	6M	RSI
VOO	$767.05	-0.3%	+0.5%	+2.7%	+1.1%	+11.8%	54.0
VOX	$186.51	-1.1%	-0.4%	+2.6%	-4.3%	-2.8%	49.5

Macro Model & Industry Scorecard: Communication Services



Indicator	Latest Reading	September Message	Investment Interpretation
ETFSector.com Macro Model score	-2.0	Weakest model sector	VOX remains an underweight because relative strength has not repaired.
ETFSector.com Macro Model rank	11 / 11	Bottom rank	The model prefers Financials (VFH), Energy (VDE), Health Care (VHT) over Communication Services (VOX).
Model stance	Underweight	Underweight	Use stock selection rather than broad VOX exposure for September.
63-day relative strength	-5.3%	Major drag	Intermediate underperformance is the primary reason the model score is negative.
VOX 1M return	+2.6%	Short-term bounce	August stabilization helped, but did not create a leadership signal.
VOX 3M return	-4.3%	Still weak	Three-month underperformance keeps the September allocation cautious.
VOX 6M return	-2.8%	Lagging trend	The six-month chart remains weaker than the S&P 500 (VOO).
VOX RSI	49.5	Neutral	Momentum is no longer deeply weak, but still lacks a breakout signal.
Telecom avg. 1M excess	+7.0%	Preferred pocket	AT&T, Comcast and Verizon give the sector its best cash-flow support.
Media avg. 1M excess	+3.7%	Value / special situations	Paramount Skydance, Fox, News Corp. and Omnicom led, but quality is uneven.
Entertainment avg. 1M excess	+1.9%	Selective	Netflix and Disney support the group; Take-Two and TKO remain pressure points.
Interactive Media avg. 1M excess	-3.4%	Mega-cap drag	Alphabet and Meta need AI spending to translate into cash-flow confidence.
10Y real yield	2.44%	Valuation headwind	Higher real yields pressure platform valuations and leveraged media balance sheets.
Oil / input-cost backdrop	WTI $85.76	Cost risk	Higher oil can pressure travel, media production, telecom field operations and consumer wallets.

Top 10 Stock Level Performers: Communication Services

Symbol	Company	Industry	Pattern	1M Excess	Valuation Rel.	Momentum	Div Yield Rel.	Beta
PSKY	Paramount Skydance	Media	Consolidation	+34.3%	0.79	5.0	1.53	1.53
FOX	Fox B	Media	Consolidation	+13.2%	0.52	6.5	0.71	0.64
FOXA	Fox A	Media	Consolidation	+12.9%	0.58	7.3	0.63	0.60
NFLX	Netflix	Entertainment	Consolidation	+10.3%	1.11	-6.3	0.00	0.86
DIS	Disney	Entertainment	Consolidation	+9.1%	0.74	3.1	0.94	1.50
NWSA	News Corp. A	Media	Bullish Reversal	+8.7%	1.16	13.5	0.48	0.78
T	AT&T	Diversified Telecommunication Services	Consolidation	+8.6%	0.53	1.1	3.14	-0.16
OMC	Omnicom	Media	Consolidation	+8.5%	0.40	11.0	2.96	0.60
CMCSA	Comcast	Diversified Telecommunication Services	Downtrend	+8.4%	0.38	1.1	3.69	0.12
NWS	News Corp. B	Media	Bullish Reversal	+7.3%	1.30	12.4	0.43	0.76

The top table is a value-media, telecom and streaming-repair list. Paramount Skydance (PSKY), Fox (FOXA/FOX), News Corp. (NWSA/NWS), Netflix (NFLX), Disney (DIS), AT&T (T), Omnicom (OMC), Comcast (CMCSA) and Verizon (VZ) all outperformed. That is a constructive breadth improvement, but it is not yet a broad sector leadership signal.

Telecom is the cleaner fundamental read-through. AT&T (T) and Verizon (VZ) both paired subscriber additions with free-cash-flow support, and Comcast (CMCSA) benefited from wireless growth and the NBCUniversal/Sky separation narrative even though broadband losses remain an issue.

Media leadership is more tactical. Paramount Skydance (PSKY) rebounded sharply, Fox (FOXA/FOX) and News Corp. (NWSA/NWS) offer valuation support and Omnicom (OMC) gained as advertising sentiment improved. But many of these names remain special-situation or value-repair stories, not durable momentum leaders.

The key September takeaway is implementation: there are tradable opportunities inside Communication Services (VOX), but the top table does not offset the sector's weak macro-model rank or the continued drag from mega-cap platforms and ad-tech laggards.

Bottom 10 Stock Level Performers: Communication Services

Symbol	Company	Industry	Pattern	1M Excess	Valuation Rel.	Momentum	Div Yield Rel.	Beta
TTD	Trade Desk	Media	Downtrend	-26.7%	2.41	-38.0	0.00	1.86
APP	AppLovin	Media	Retracement	-23.9%	0.85	-40.7	0.00	3.06
TTWO	Take-Two	Entertainment	Consolidation	-12.3%	1.35	-7.2	0.00	0.76
GOOG	Alphabet C	Interactive Media & Services	Consolidation	-8.7%	1.02	-9.8	0.18	1.23
GOOGL	Alphabet A	Interactive Media & Services	Uptrend	-7.4%	1.03	-9.1	0.18	1.27
TKO	TKO	Entertainment	Consolidation	-2.3%	1.80	-12.9	0.63	0.48
ECHO	EchoStar	Media	Retracement	+0.1%	0.55	-24.9	0.00	1.12
META	Meta	Interactive Media & Services	Retracement	+0.1%	0.89	-10.3	0.24	1.59
LYV	Live Nation	Entertainment	Consolidation	+0.6%	8.06	2.5	0.00	1.09
TMUS	T-Mobile	Wireless Telecommunication Services	Retracement	+2.3%	0.72	-7.4	1.67	0.07

The bottom table explains why Communication Services (VOX) remains underweight. Trade Desk (TTD) and AppLovin (APP) show that ad-tech momentum is still broken, while Alphabet (GOOGL/GOOG) and Meta (META) keep the largest platform sleeve under pressure. The sector cannot become a clean overweight while the largest platforms and ad-tech names are lagging.

Alphabet (GOOGL) is the most important watchlist stock. Q2 growth was strong, but investors are focused on AI capex, search-remedy uncertainty and whether Google Cloud can keep translating AI demand into durable cash flow. The stock file still shows negative one-month excess return despite the fundamental strength.

Meta (META) is a strong advertising engine with a weaker free-cash-flow story. Revenue, impressions and pricing grew, but capex and expenses absorbed the benefit. If September inflation or the Fed keeps real yields elevated, the market may continue to penalize AI spending that does not produce immediate cash-flow conversion.

The media and entertainment laggards are a different risk. Trade Desk (TTD), AppLovin (APP), TKO (TKO) and Take-Two (TTWO) are exposed to advertising, gaming, sports-rights or event-driven expectations. These stocks need either better earnings confirmation or price repair before they can support the sector.

Economic & Policy Drivers: Communication Services

September macro pivot. Communication Services (VOX) needs help from the September macro calendar. Lower inflation and easier real yields would support platform valuations, streaming multiples and leveraged media balance sheets. Sticky CPI/PPI or a hawkish September 15–16 FOMC would keep the sector under pressure because the largest platform businesses are already being questioned on capex and cash-flow conversion.

Interactive Media & Services. Alphabet (GOOGL/GOOG), Meta (META) and Reddit (RDDT) are the sector's most important AI and advertising exposures. Digital advertising remains healthy, but the market is separating AI revenue proof from AI spending intensity. September read: prefer Alphabet (GOOGL) over Meta (META) on Cloud monetization and valuation discipline, but require price stabilization before adding broad platform exposure.

Telecommunications. AT&T (T), Verizon (VZ), T-Mobile (TMUS) and Comcast (CMCSA) benefit from recurring connectivity demand, broadband/wireless convergence and high dividend-yield support. They are hurt by high debt loads, competition and elevated real yields. September read: selectively constructive on AT&T (T) and Verizon (VZ) as cash-flow/value names, but telecom strength is not enough to offset VOX's broader weakness.

Streaming and Entertainment. Netflix (NFLX) remains the highest-quality streaming story, while Disney (DIS), Warner Bros. Discovery (WBD), TKO (TKO), Take-Two (TTWO), Electronic Arts (EA) and Live Nation (LYV) are more company-specific. Pricing, advertising tiers, sports rights, content costs and consumer spending will drive the group in September. Favor scaled streaming and live-event demand; avoid lower-conviction entertainment beta without price confirmation.

Media, cable and advertising. News Corp. (NWSA/NWS), Fox (FOXA/FOX), Omnicom (OMC), Paramount Skydance (PSKY), Trade Desk (TTD) and AppLovin (APP) show the sector's widest dispersion. Value media rallied, but ad-tech remains weak. Cable names still face broadband subscriber pressure. September read: treat media as value/special-situations exposure, not broad sector leadership.

Regulatory and deal risk. Search-antitrust remedies remain a risk for Alphabet (GOOGL), while youth-safety and privacy litigation remain risks for Meta (META). The Paramount Skydance / Warner Bros. Discovery merger is delayed by state antitrust litigation until June 2027 or a court ruling, keeping deal spreads, media leverage and content-ownership strategy in focus. September read: policy risk reinforces the underweight.

AI disruption and resource demand. AI helps ad targeting, content creation, search quality and recommendation systems, but it also raises compute costs, energy demand and capex intensity. Communication Services (VOX) will not rerate until investors see AI producing incremental revenue and durable free cash flow, not just larger infrastructure commitments.

Appendix: Sources

ETFSector.com Macro Model, updated August 31, 2026 — macro regime index, sector final scores, sector ranks, 63-day relative strength, model stance and Vanguard ETF mappings.

FactSet / ETFSector.com 20260901_SP50_Stock_Data.xlsx — Communication Services stock-level excess return, valuation multiple relative to index, momentum score, dividend-yield multiple, beta, industry and chart pattern.

FactSet / ETFSector.com model data — Vanguard ETF return streams, VOX/VOO price performance, RSI, real yields, breakevens, volatility, credit and commodity indicators through August 31, 2026.

Alphabet Q2 2026 results and SEC filings — revenue growth, Search, YouTube advertising, Google Cloud growth, cloud demand, AI capex and operating margin context.

Meta Platforms Q2 2026 results — revenue growth, ad impressions, average price per ad, costs and expenses, capital expenditures, free cash flow, debt and AI investment commentary.

AT&T and Verizon Q2 2026 earnings releases — postpaid phone additions, broadband/fiber/fixed-wireless additions, free cash flow, guidance and capital-return context.

Netflix Q2 2026 shareholder letter / SEC filing — revenue growth, operating margin, advertising strategy, free cash flow and capital-return context.

Comcast Q2 2026 earnings materials and corporate releases — broadband losses, wireless additions, Peacock profitability, NBCUniversal/Sky separation plan and streaming-bundle strategy.

California Department of Justice and DOJ materials on Paramount Skydance / Warner Bros. Discovery and Google search antitrust — merger delay, state challenge, search remedies and platform-regulatory risk.

Reuters, AP, Barron’s and other market coverage, August–September 2026 — AI capex scrutiny, Meta/Alphabet market reaction, media-deal litigation, advertising trends and streaming/platform sentiment.

Appendix: Metric Interpretation/Descriptions

Valuation Multiple Relative to Index. (Company Price / NTM EPS) divided by (S&P 500 Price / NTM EPS). Lower values indicate cheaper earnings than the index; higher values indicate more expensive earnings.
Momentum Score. Composite of 1-month, 3-month and 6-month excess returns versus the S&P 500. Higher scores indicate stronger relative price momentum.
Dividend Yield Relative to Index. Company FY1 rolling dividend yield divided by the S&P 500 FY1 rolling dividend yield. Higher values indicate greater income support versus the index.

Price Structure. Uptrend = sustained outperformance. Bullish Reversal = outperformance after a prior weak period. Consolidation = sideways price action. Retracement = sharp pullback after prior strength.
Weak Structures. Distributional = potential topping pattern. Downtrend = sustained underperformance. Support = price near a prior basing area. Basing = longer consolidation at long-term support.
Use in Report. These metrics are stock-level inputs used to identify whether sector leadership is broad, narrow, valuation-supported, income-supported or driven mainly by short-term price reversal.