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Monthly Insights: September Outlook

Utilities Sector

Patrick Torbert, CMT

Editor & Chief Strategist

Sector Price Action & September Outlook: Utilities

September setup. Utilities (VPU) enter September with a clear gap between long-term fundamentals and near-term price action. The ETFSector.com Macro Model ranks Utilities (VPU) T-5 of 11 with a -1.0 final score and Underweight stance. VPU declined -4.4% over one month versus a +2.7% gain for the S&P 500 (VOO).

Breadth is the problem. The structural demand story is intact, but just 10% of Utilities stocks are above their 50-day moving average and only 6% beat the S&P 500 (VOO) over the past month. That is not enough confirmation for a broad September overweight.

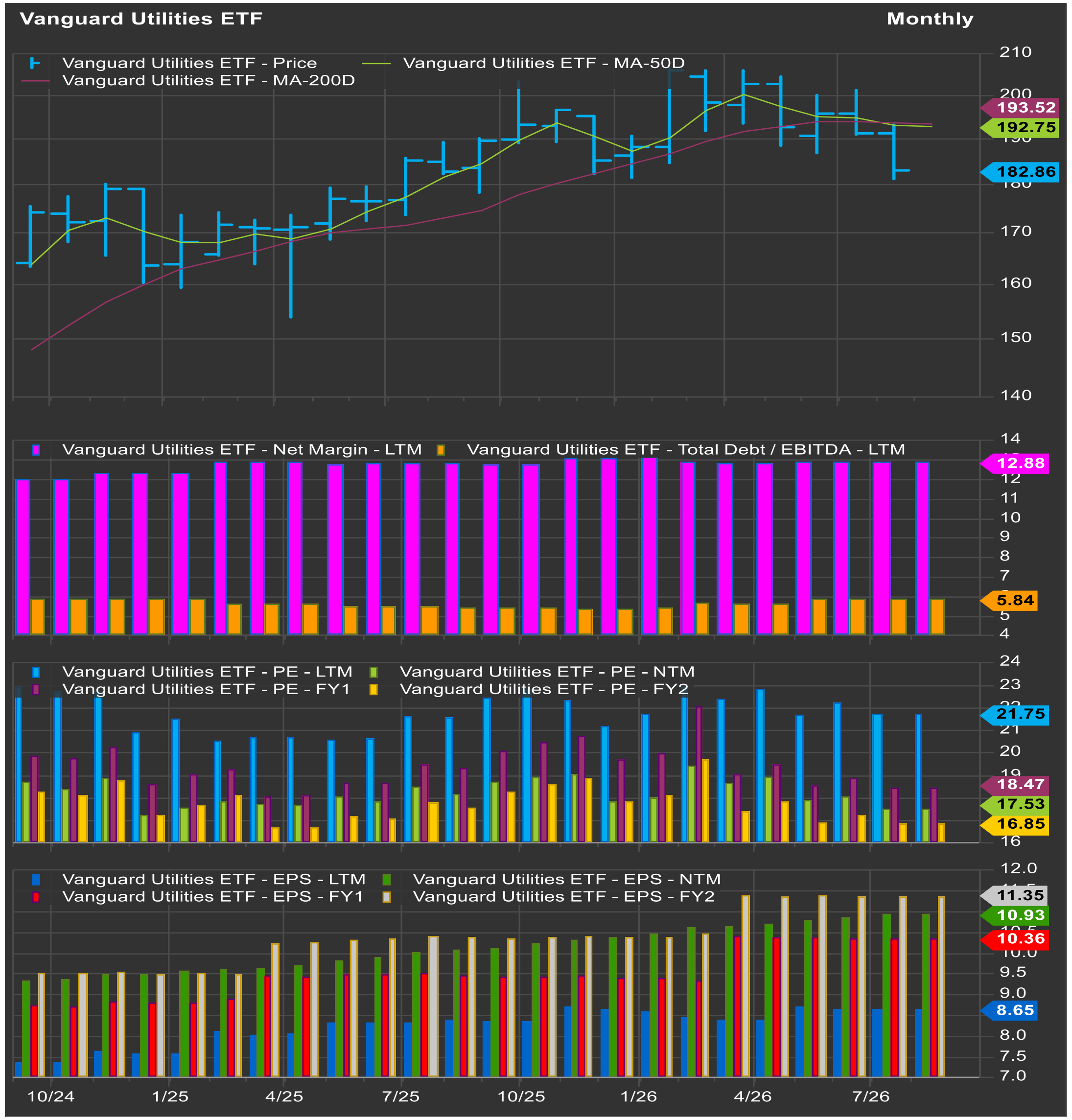
What is working. Constellation (CEG) and American Water (AWK) are the only stocks with positive one-month excess return. AES (AES), Entergy (ETR) and ConEd (ED) were less weak, but this is relative defense rather than outright momentum.

What is not working. Edison (EIX), PG&E (PCG), NRG (NRG), Vistra (VST), Southern Co. (SO), CenterPoint (CNP), CMS Energy (CMS) and Exelon (EXC) show that investors are selling both regulated utilities and high-beta power-scarcity beneficiaries.

September pivots. CPI on September 11, the September 15–16 FOMC and retail sales on September 16 are the key tests. Lower yields could create a tactical bounce, but sticky inflation and high real yields keep financing and customer-affordability risk front and center.

Portfolio read. Keep Utilities (VPU) underweight until price repair improves. Select exposure can still work where load growth is contracted, rate recovery is clear and balance sheets can fund grid investment.

Fundamentals: Utilities



The fundamental backdrop remains better than the stock tape. Utilities should benefit from data-center load, manufacturing electrification, grid modernization, reliability spending and rate-base growth. The September issue is timing: investors want contracted demand and visible cost recovery, not speculative load headlines.

Electric load growth remains the major structural opportunity. AEP has highlighted tens of gigawatts of potential new load supported by customer commitments, while PG&E and Dominion continue to point to large data-center pipelines. That makes the long-term story more interesting than a normal defensive income cycle.

The cost side is the constraint. The ETFSector.com Macro Model shows a 10-year real yield of 2.44% and breakeven inflation of 2.31%, leaving nominal rates restrictive for capital-intensive regulated utilities. Higher rates increase financing costs and lower the valuation appeal of dividends.

AI disruption helps only when it is financeable. Data centers need power, but the winners are utilities with signed commitments, generation availability, transmission plans and tariff structures that protect existing customers.

September conclusion: selective underweight. Utilities (VPU) can rebound if yields fall or defensive demand returns, but the evidence favors company selection over broad exposure.

Ticker	Exposure	Price	1D	1W	1M	3M	6M	RSI
VOO	S&P 500	$767.05	-0.3%	+0.5%	+2.7%	+1.1%	+11.8%	54.0
VPU	Utilities	$182.86	-1.0%	-2.2%	-4.4%	-2.3%	-10.6%	32.1

Industry Performance and ETFSector.com Macro Model Scores

Indicator	Latest Reading	September Message	Investment Interpretation
Macro Model rank	T-5 / 11	Lower tier	Utilities (VPU) sits in the broad underweight cluster despite long-term power-demand support.
Final score / stance	-1.0 / Underweight	Underweight	The model does not support a broad VPU overweight until relative strength improves.
63D RS vs S&P 500	-3.4%	Negative	Intermediate relative strength remains weak versus S&P 500 (VOO).
Regime tilt	+0.0	Neutral	The Mixed / Transition regime does not add a defensive-sector bonus.
MRI overlay	+0.0	Neutral	Constructive overall market conditions keep sector allocation driven by relative strength.
Risk Gauge	71.0% / Constructive	Constructive	Risk appetite limits demand for classic defensive ballast unless volatility rises.
Inflation Gauge	72.2% / High	High	Sticky inflation raises cost-recovery and customer-affordability risk.
VPU trend	-4.4% / -2.3% / -10.6%	Weak	The sector is down across 1M, 3M and 6M horizons in the model data.
VPU RSI	32.1	Weak / tactical watch	RSI is low enough for bounce potential, but breadth remains poor.
10Y real yield	2.44%	Restrictive	High real yields pressure utility valuation and capital-plan financing.
10Y breakeven	2.31%	Elevated	Inflation expectations keep customer-bill and rate-case sensitivity high.
WTI crude	$85.76/bbl	Cost/inflation risk	Higher energy prices reinforce inflation pressure and reduce the appeal of bond proxies.
Commodity index	+7.1% 1M	Input-cost pressure	Broad commodity strength raises operating-cost and construction-cost risk.
Stocks above 50DMA	10%	Weak breadth	Very few Utilities constituents are showing positive near-term trend confirmation.
Stocks beating VOO	6%	Narrow tape	Only Constellation (CEG) and American Water (AWK) beat the index over the past month.

Top 10 Stock Level Performers: Utilities

Symbol	Company	Industry	Pattern	1M Excess	Valuation Rel.	Momentum	Div Yield Rel.	Beta
CEG	Constellation	Electric Utilities	Consolidation	+2.0%	1.10	-8.2	0.44	1.69
AWK	American Water	Water Utilities	Consolidation	+1.0%	1.10	4.0	1.89	0.06
AES	AES	Independent Power & Renewables	Consolidation	-2.3%	0.32	-5.7	3.55	0.81
ETR	Entergy	Electric Utilities	Consolidation	-3.3%	1.12	-5.2	1.79	0.11
ED	ConEd	Multi-Utilities	Consolidation	-3.6%	0.86	-4.0	2.44	-0.26
EVRG	Evergy	Electric Utilities	Consolidation	-4.3%	0.93	-5.0	2.51	0.40
ES	Eversource	Electric Utilities	Consolidation	-4.7%	0.74	-4.6	3.29	0.72
WEC	WEC Energy	Multi-Utilities	Consolidation	-4.9%	0.93	-8.1	2.65	0.13
PNW	Pinnacle West	Electric Utilities	Consolidation	-5.2%	0.95	-5.7	2.79	0.14
PPL	PPL	Electric Utilities	Consolidation	-5.8%	0.85	-8.7	2.46	0.21

The top table is defensive by comparison, not broad leadership. Constellation (CEG) and American Water (AWK) were the only Utilities stocks with positive one-month excess return. That makes the sector’s best list unusually weak and confirms that Utilities (VPU) is not yet a September leadership sector.

Constellation (CEG) remains central to the nuclear and power-scarcity narrative, but its six-month excess return and momentum profile are still weak. The market is no longer treating power scarcity as a simple upside theme without regard to valuation, contract timing and rate exposure.

American Water (AWK) is the cleanest quality read-through. It has positive one- and three-month excess return, low beta and improving momentum. That makes water utilities useful ballast, but the industry is too small to change the overall VPU allocation call.

The rest of the table shows relative resilience rather than strong demand. AES (AES), Entergy (ETR), ConEd (ED), Evergy (EVRG), Eversource (ES), WEC Energy (WEC), Pinnacle West (PNW) and PPL (PPL) are all still negative versus the S&P 500 (VOO).

Bottom 10 Stock Level Performers: Utilities

Symbol	Company	Industry	Pattern	1M Excess	Valuation Rel.	Momentum	Div Yield Rel.	Beta
EIX	Edison	Electric Utilities	Consolidation	-29.2%	0.43	-28.2	4.77	0.09
PCG	PG&E	Electric Utilities	Consolidation	-26.4%	0.39	-26.4	1.12	-0.10
NRG	NRG	Electric Utilities	Consolidation	-20.4%	0.55	-25.9	1.28	1.21
NI	NiSource	Multi-Utilities	Consolidation	-10.6%	0.96	-14.4	2.16	0.35
SRE	Sempra	Multi-Utilities	Consolidation	-10.5%	0.78	-13.1	2.12	0.33
VST	Vistra	Independent Power & Renewables	Consolidation	-10.0%	0.73	-17.6	0.53	1.82
SO	Southern Co.	Electric Utilities	Retracement	-8.9%	0.94	-9.4	2.53	0.09
CNP	CenterPoint	Multi-Utilities	Consolidation	-8.0%	1.00	-10.2	1.72	0.10
CMS	CMS Energy	Multi-Utilities	Consolidation	-7.4%	0.86	-10.6	2.48	0.03
EXC	Exelon	Electric Utilities	Consolidation	-7.3%	0.75	-9.2	2.82	-0.22

The bottom table explains the underweight. The weakest stocks include regulated electric utilities, multi-utilities and high-beta independent power names. That breadth of weakness is more important than any single company headline.

Edison (EIX) and PG&E (PCG) were hit hardest even though both have credible long-term California load and grid-investment stories. The market is focused on wildfire, capital spending, affordability and regulatory risk rather than simply rewarding power-demand growth.

NRG (NRG) and Vistra (VST) show the tactical reset in merchant power. Both remain tied to generation scarcity and AI/data-center demand, but the stocks are no longer being rewarded indiscriminately after a large prior run. Their higher beta also makes them less useful as defensive Utilities holdings.

Multi-Utilities remain a weak sleeve. NiSource (NI), Sempra (SRE), CenterPoint (CNP), CMS Energy (CMS) and Exelon (EXC) all lagged, reinforcing that dividend support and regulated earnings were not enough to offset higher real yields and capital-allocation competition from stronger sectors.

Economic & Policy Drivers: Utilities

Electric Utilities. This remains the core long-term opportunity inside Utilities (VPU), but the current tape is weak. Constellation (CEG) was the only strong positive among the larger electric names, while Edison (EIX), PG&E (PCG), NRG (NRG), Southern Co. (SO), Exelon (EXC), FirstEnergy (FE), Duke (DUK), AEP (AEP) and NextEra (NEE) lagged.

September read: selective only. Favor utilities with contracted load, adequate generation, transmission plans and visible cost recovery. Avoid assuming every power-demand story deserves a premium.

Multi-Utilities. NiSource (NI), Sempra (SRE), CenterPoint (CNP), CMS Energy (CMS), Dominion (D), DTE (DTE), WEC Energy (WEC) and Exelon (EXC) all posted weak one-month excess returns. The industry still offers income and regulated earnings, but high real yields and large capital plans remain valuation headwinds.

Independent Power & Renewables. AES (AES) held up better than Vistra (VST), but the group remains volatile. AI, data centers and electrification increase demand for firm power and capacity, but investors now want contracted demand, credible hedging, power-price visibility and reasonable valuation.

Water and Gas Utilities. American Water (AWK) is the cleanest Utilities stock in the updated table because it combines positive relative performance, low beta and regulated quality. Atmos (ATO) remains stable but not a leadership name. September read: defensive hold rather than broad allocation driver.

Grid policy and large-load cost recovery. The data-center debate is shifting from theoretical load to signed, financeable and recoverable load. Clear tariffs, customer financial commitments and cost-allocation protections can support well-positioned utilities. Poorly structured load growth can become a capital burden and political risk if existing customers absorb too much of the cost.

Inflation, oil and the Fed. Sticky inflation and high oil prices keep the Fed cautious and increase operating and customer-bill pressure. A softer CPI or less hawkish September FOMC could help Utilities (VPU), but the base case remains underweight until falling yields are matched by better breadth.

Sector implication. Utilities (VPU) is a long-term resource-demand beneficiary, not a September leadership sector. Use company selection around load, regulation and balance-sheet quality rather than broad sector beta.

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

ETFSector.com Macro Model, August 31, 2026 — Vanguard sector ETF implementation tickers, sector rankings, final scores, stance, 63-day relative strength, Macro Regime Index, risk gauge, inflation gauge, real yields, breakevens, WTI and commodity indicators.

FactSet 20260901_SP50_Stock_Data.xlsx — Utilities stock-level one-month excess return, three- and six-month excess return, valuation multiple relative to the S&P 500, momentum score, dividend-yield multiple, beta, GICS industry and chart-pattern classification.

FactSet / ETFSector.com sector performance data — VOO and VPU price, one-day, one-week, one-month, three-month, six-month return and RSI through August 31, 2026.

Federal Reserve July 2026 FOMC materials and September 2026 calendar — policy-rate backdrop, inflation focus and September decision setup.

BLS CPI and BEA PCE inflation releases — inflation and real-income backdrop for regulated customer bills, financing costs and defensive equity valuation.

FERC large-load and grid-interconnection policy materials — data-center tariff reform, cost-recovery frameworks, reliability, affordability and regional grid operator proceedings.

American Electric Power, PG&E, Dominion, Exelon and other utility company earnings materials — data-center load pipelines, capital plans, signed customer commitments, guidance, operating costs and rate-base growth context.

U.S. Energy Information Administration energy-market materials — electricity demand, power generation, natural-gas pricing and fuel-cost 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