ETFSector.com

Monthly Insights: October Outlook

Communication Services

Patrick Torbert, CMT
Editor & Chief Strategist

ETFInsight Elev8 Model
Data and research through September 29, 2026

October Outlook: Communication Services

Elev8 allocations: active weight descending

ETF	Score	BMK %	Elev8 %	Active pp
VGT	5	38.71	42.47	+3.76
VDE	5	3.45	6.98	+3.53
VHT	5	9.67	12.92	+3.25
VFH	3	11.78	12.78	+0.99
VAW	0	1.80	1.78	-0.02
VIS	0	8.10	7.88	-0.23
VOX	**0**	**9.87**	**9.27**	-0.59
VNQ	-3	1.71	0.00	-1.71
VPU	-6	1.90	0.00	-1.90
VCR	-2	8.43	5.92	-2.50
VDC	-6	4.58	0.00	-4.58

VOX carries 9.27% of the portfolio versus 9.87% in BMK. The underweight is -0.59 percentage points.

October setup. Meta's renewed momentum creates a stock-specific opportunity, but weak telecom and media participation limit the sector case. Elev8 retains a modest underweight while the daily price tests nearby support.

Elev8 conviction. The total score is 0, placing VOX tied for rank 5 among 11 sectors. The underweight reflects the eight model inputs and the October allocation.

Participation. 13.0% of the sector's 23 S&P 500 constituents outperformed over the latest month, and 8.7% are above their 50-day average. The median one-month excess return is -5.5%.

Earnings and market tension. Alphabet and Meta's growth supports interactive-media leadership, while Comcast illustrates the separate economics of networks and legacy media. VOX's modest underweight recognizes that these earnings pockets have not translated into broad sector strength.

The principal allocation risk. Watch advertising guidance and cash conversion at platforms, alongside subscriber economics at network operators. Weakening ad growth or further cash-flow pressure would challenge the recent platform-led recovery.

Technical Outlook: Communication Services



Support and resistance. VOX holds support near 190.19 at its 200-day average, with deeper support near 188.10 at the 50-day average. Both levels sit below the current price of 190.92.

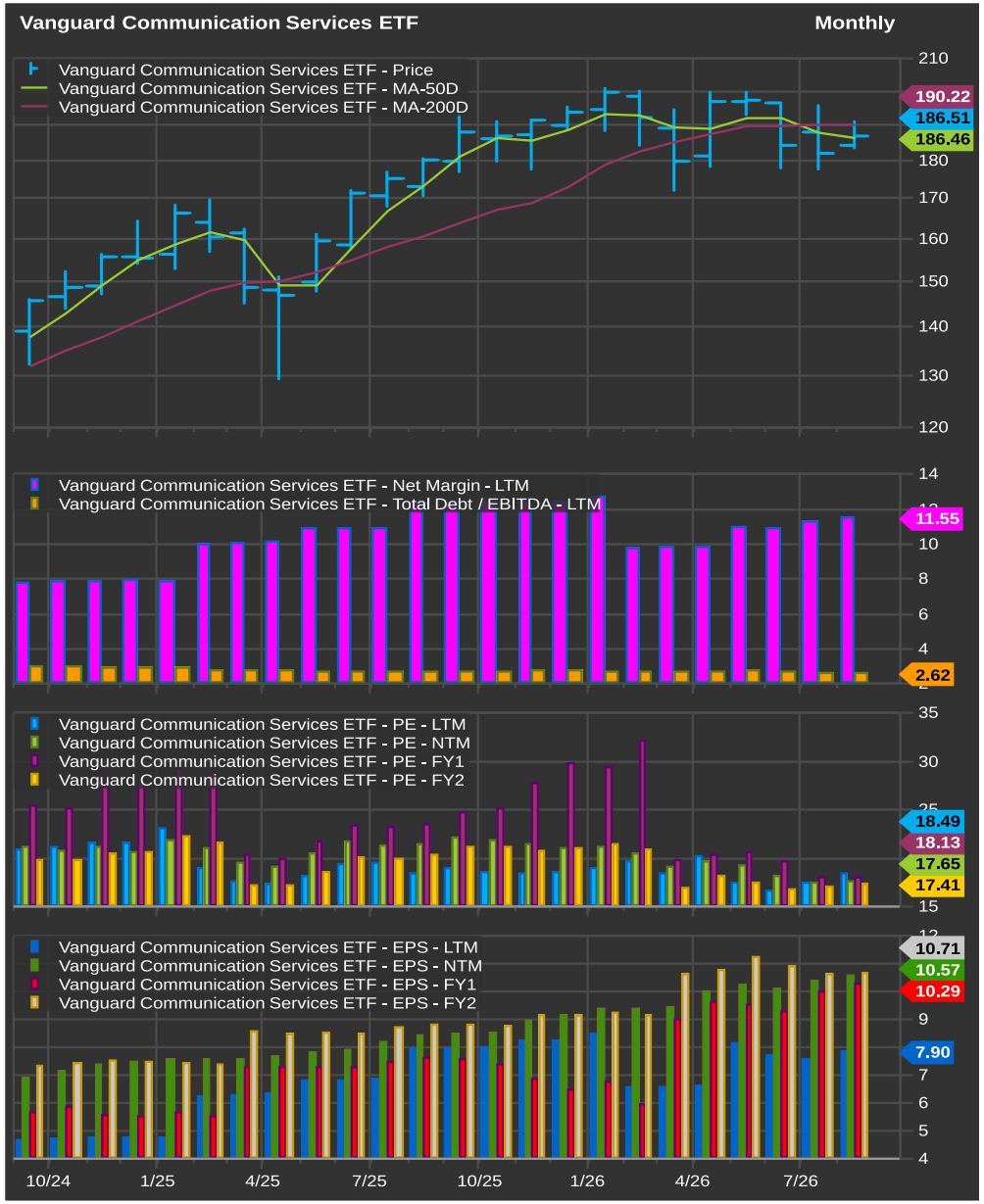
Momentum. RSI at 49.8 indicates broadly balanced buying and selling pressure. MACD is below its signal line, showing that downside momentum still dominates.

Twelve-month relative trend. VOX has underperformed the S&P 500 by 12.38% over the previous twelve months. This October-to-September curve covers a different horizon from the six-month industry exhibit.

Developments during the chart window. Meta's September 28 enterprise-platform announcement arrived near the end of the chart window and adds a potential growth avenue. Commercial traction remains prospective. The nearby moving averages and weak telecom participation provide more direct evidence of whether the platform rebound can become a sector recovery.

What price must confirm. VOX holds nearby support at 190.19 and then 188.10. Neutral RSI and a negative MACD spread make this a fragile recovery. Broader industry participation would be needed for a stronger sector conclusion.

Fundamentals: Communication Services



Profitability and balance sheet. The monthly VOX exhibit shows a trailing net margin of 11.55% and total debt / EBITDA of 2.62x. Margin direction and cash conversion will determine how much revenue growth reaches shareholders.

Valuation and estimates. Trailing P/E is 18.49x versus 17.65x on next-twelve-month earnings. FY1 and FY2 multiples are 18.13x and 17.41x. The lower forward multiple depends on forecast earnings becoming reported profits.

The earnings hurdle. NTM EPS of 10.57 is 33.8% above trailing EPS of 7.90. FY2 EPS of 10.71 is 4.1% above FY1 EPS of 10.29. These compare displayed earnings bases and are not next-quarter growth forecasts.

Investment gains distort headline profitability. Alphabet's Q2 release reported $98bn of other income, principally unrealized investment gains. Operating margin and cash generation provide cleaner measures of recurring performance. The chart's earnings multiples should therefore be read with care when the reported base contains large non-operating gains.

Capex separates earnings from shareholder cash. Meta's Q2 free cash flow was about $0.8bn versus $8.5bn a year earlier despite revenue growth. This illustrates how the sector's earnings outlook can improve while funds available after investment shrink. Depreciation and future capital commitments remain important tests of the forward multiple.

Stock Valuation: Communication Services

Selected constituents: relative P/E ascending

Stock	Rel. P/E	1M excess	50DMA dist.
CMCSA	**0.32x**	-19.2%	-13.6%
VZ	**0.47x**	-6.6%	-4.9%
T	**0.51x**	-4.0%	-2.2%
TMUS	**0.65x**	-8.0%	-6.3%
DIS	**0.73x**	-2.1%	-0.5%
NFLX	**0.96x**	-15.0%	-10.3%
GOOGL	**1.07x**	-0.8%	-0.2%
META	**1.11x**	+24.2%	+14.2%

The table compares selected major franchises and relevant industry exposures.
CMCSA is the lowest-multiple name in this group at 0.32x the index NTM P/E.
The selection is illustrative and is not a lowest-P/E screen of the whole sector.

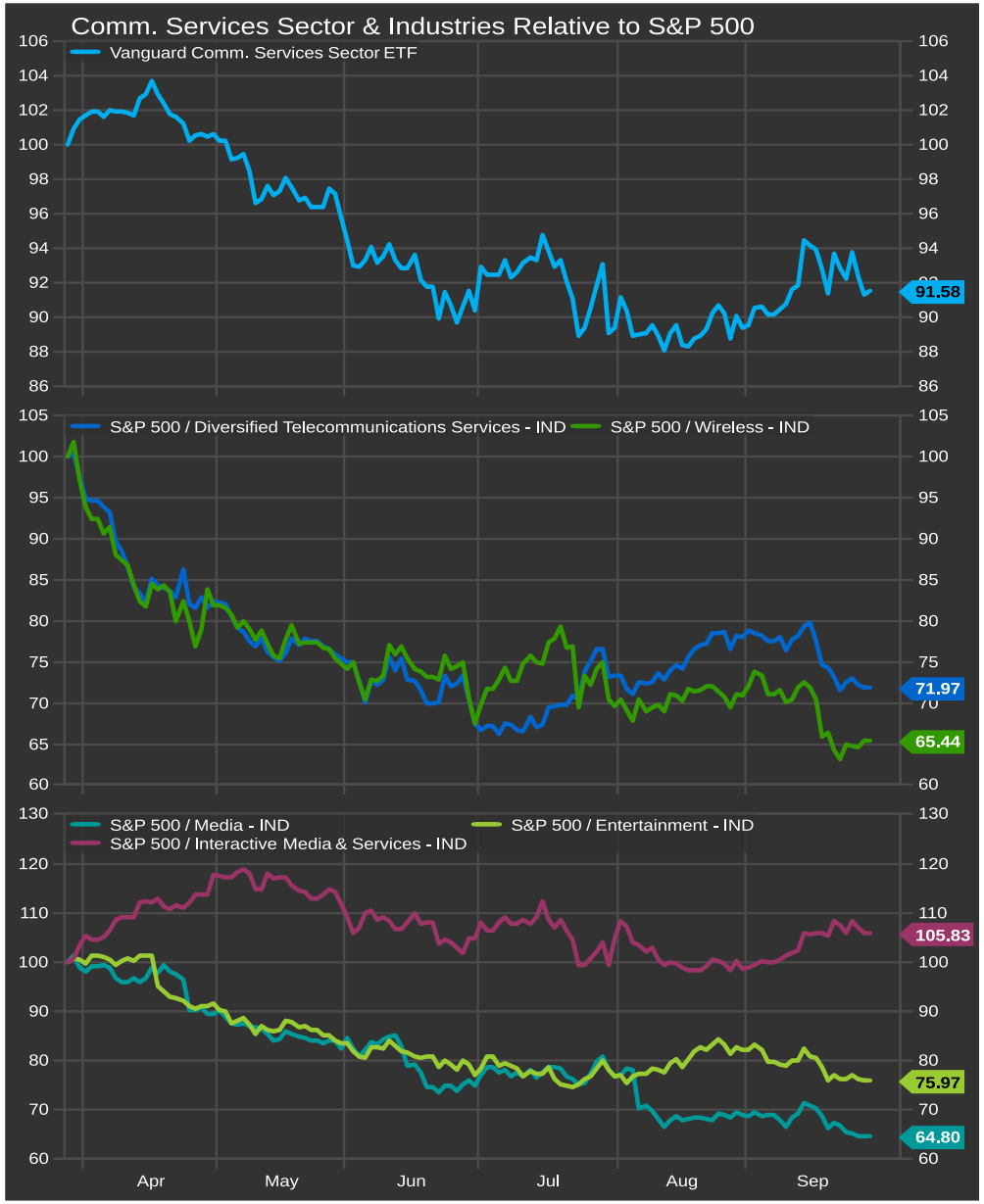
Valuation dispersion. CMCSA at 0.32x and META at 1.11x show the range across these franchises. Differences in growth, margins and earnings cyclicality matter when judging that spread.

Price confirmation. CMCSA has -19.2% one-month excess return and trades 13.6% below its 50-day average. The stock contributes negatively to the model score. The low multiple requires an earnings case beyond recent price performance.

Earnings behind the multiple. META and GOOGL's advertising and cloud economics differ from telecom networks and content businesses. A low multiple for a network operator may reflect capital intensity or subscriber pressure, while a platform premium relies on monetization. Recurring operating earnings and free cash flow offer better comparability than headline EPS.

How to use the comparison. The table orders selected franchises by relative forward P/E. Compare the discount or premium with recurring profitability and investment needs, then use the price columns as a separate check on market expectations. The selection is illustrative, so it does not establish that the first row is the cheapest stock in the sector.

Industry Relative Trends: Communication Services



Six-month sector result. VOX has underperformed the S&P 500 by 8.42% over the previous six months. The result measures relative performance over April–September, separate from the twelve-month daily chart.

The strongest industry. The interactive media group has outperformed the S&P 500 by 5.83% over the previous six months. Its positive relative result identifies a pocket of leadership within the sector.

The weakest industry. The media group has underperformed the S&P 500 by 35.20% over the previous six months. The contrast with interactive media argues for an industry-specific view of earnings and risk.

Other important curves. Entertainment underperformed by 24.03%, Diversified telecom underperformed by 28.03%, Wireless telecom underperformed by 34.56%, each over the previous six months.

Operating context for the dispersion. Interactive media benefits from digital advertising and platform scale, whereas telecom and traditional media require different operating repairs. Comcast's wireless additions show that improvement can occur within a weak industry group. The curves still indicate that these pockets have not offset broader relative weakness.

Industry Breadth: Communication Services

Sorted by outperforming share, then median excess return

Industry	Stocks	Beat BMK	>50DMA	Median ex.
Interactive media	4	**25.0%**	25.0%	-0.8%
Entertainment	6	**16.7%**	16.7%	-3.6%
Media	9	**11.1%**	0.0%	-6.9%
Diversified telecom	3	**0.0%**	0.0%	-6.6%
Wireless Telecommunication Services	1	**0.0%**	0.0%	-8.0%

Interactive media leads on the sorting measure with 25.0% positive breadth. Read the percentage alongside the constituent count before assuming it represents broad leadership.

Rolling one-month excess returns. Equal-count breadth across S&P 500 constituents. Industry labels follow current GICS classifications.

Participation within the sector. 13.0% of constituents beat the benchmark, while the median stock underperformed by 5.5%. The table shows whether the strongest industry curves have broad stock support.

A different horizon. One-month constituent breadth complements the six-month industry curves. A group can remain ahead over six months while recent participation deteriorates.

The weaker end. Wireless Telecommunication Services has 0.0% positive breadth and 0.0% above the 50-day average. That leaves limited confirmation of a durable recovery.

Allocation context. Elev8 retains a underweight in VOX. Breadth is a separate diagnostic and does not mechanically change the model allocation.

October Investment Themes: Communication Services

Earnings drivers and the conditions needed for stronger conviction

Alphabet: digital growth reaches operating profit. Alphabet's July 22 Q2 release reported $119.8bn revenue, up 24%, including 17% Search growth, 13% YouTube advertising growth and 82% Cloud growth to $24.8bn. Operating margin rose two percentage points to 34%. Operating figures are more informative than net income inflated by large unrealized investment gains.

Meta: strong growth has a cash cost. Meta's July 29 Q2 release reported $60.8bn revenue, up 28%. Its $130–145bn 2026 capex outlook makes monetization central to the investment case. The September 28 Enterprise Platform launch creates another prospective revenue channel, while adoption and pricing must validate the opportunity.

Comcast: operating resilience within a weak group. Comcast's July 23 Q2 release reported 448,000 wireless net additions, taking wireless lines to 10.2m, and $4.6bn free cash flow. These operating strengths coexist with pressure in traditional media and broadband. They support stock-specific analysis rather than reading the entire sector through the digital-platform leaders.

The common investment risk. The risk is that spending grows faster than monetization. Meta's enterprise offering could create revenue and competitive pressure, but product availability does not establish adoption. Advertising resilience, customer uptake and returns on invested capital should determine whether the sector deserves a larger allocation.

Top 10 Stock Performers: Communication Services

Rolling one-month excess return, highest to lowest

Company	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
Meta (META)	Interactive media	Bullish Reversal	**+24.2%**	1.11x	22.9	1.56
Warner Bros. Discovery (WBD)	Entertainment	Bullish Reversal	**+7.7%**	N/A	6.3	1.40
EchoStar (ECHO)	Media	Support	**+3.0%**	0.55x	-14.4	1.02
Alphabet (GOOG)	Interactive media	Uptrend	**-0.8%**	1.06x	-1.4	1.24
Alphabet (GOOGL)	Interactive media	Uptrend	**-0.8%**	1.07x	-1.0	1.27
TKO (TKO)	Entertainment	Consolidation	**-1.0%**	1.79x	-15.4	0.42
Walt Disney (DIS)	Entertainment	Consolidation	**-2.1%**	0.73x	-0.4	1.51
AppLovin (APP)	Media	Retracement	**-2.7%**	0.84x	-29.0	3.24
AT&T (T)	Diversified telecom	Consolidation	**-4.0%**	0.51x	-4.8	-0.13
Paramount Skydance (PSKY)	Media	Downtrend	**-4.8%**	0.75x	-0.9	1.61

S&P 500 constituents. FactSet / MTIR, September 29, 2026.

Leaders in context. META leads at +24.2% excess return. 3 of these ten stocks outperformed the benchmark. A top-ten rank can still represent a relative loss.

Model contribution. 4 of ten stocks contribute positively to the model score. Most recent leaders contribute negatively to the model score, leaving a gap between recent returns and model support.

What to watch. Sustained relative strength and earnings revisions matter more than a single month's ranking. Compare price pattern and valuation before increasing concentration.

Bottom 10 Stock Performers: Communication Services

Rolling one-month excess return, lowest to highest

Company	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
Charter (CHTR)	Media	Downtrend	**-27.2%**	0.14x	-33.0	-0.18
Comcast (CMCSA)	Diversified telecom	Downtrend	**-19.2%**	0.32x	-19.0	0.18
Netflix (NFLX)	Entertainment	Retracement	**-15.0%**	0.96x	-19.4	0.88
Omnicom (OMC)	Media	Consolidation	**-13.8%**	0.34x	-8.1	0.60
Take-Two Interactive Software (TTWO)	Entertainment	Retracement	**-13.8%**	1.22x	-17.0	0.69
T-Mobile US (TMUS)	Wireless Telecommunication Services	Retracement	**-8.0%**	0.65x	-17.3	0.06
Fox (FOXA)	Media	Consolidation	**-7.2%**	0.55x	5.8	0.63
Fox (FOX)	Media	Consolidation	**-7.1%**	0.49x	4.4	0.66
News (NWS)	Media	Consolidation	**-6.9%**	1.22x	0.8	0.85
Verizon (VZ)	Diversified telecom	Consolidation	**-6.6%**	0.47x	-8.5	0.13

S&P 500 constituents. FactSet / MTIR, September 29, 2026.

Laggards in context. CHTR has the weakest return at -27.2% excess return. 0 of these ten stocks outperformed the benchmark.

Model contribution. 0 of ten stocks contribute positively to the model score. Negative model contributions reinforce the weak relative performance across much of this group.

What to watch. A low multiple or oversold condition is insufficient on its own. Look for stabilization in earnings expectations and a repair in price before treating weakness as opportunity.

Economic and Policy Drivers: Communication Services

Consumer sentiment creates an advertising test. September consumer confidence fell 6.7 points to 81.9, while the expectations index fell to 63.6. Weaker confidence can affect subscriptions and advertiser budgets, although Alphabet and Meta's reported Q2 growth remains strong. October guidance will indicate whether that earlier momentum survives the softer consumer backdrop.

Hiring does not mirror platform revenue. Information employment fell 23,000 in August, including 7,000 jobs in publishing and 5,000 in broadcasting. The industry employment data are broader than GICS Communication Services, but they underscore the uneven business conditions outside the largest digital platforms.

Capital intensity raises the policy sensitivity. The September hike and 3.4% August headline inflation increase the hurdle for debt-funded networks and large AI investments. Meta's enterprise launch adds a prospective revenue source, but an announcement is not commercial traction. Evidence of cash returns would strengthen the sector case more than additional spending commitments alone.

October release checkpoints. Payrolls on October 2, CPI on October 14 and retail sales on October 15 will update labor, inflation and consumption. The October 27–28 FOMC meeting and October 29 GDP/PCE releases provide further tests. Scheduled events are prospective, with no results assumed.

Evidence that would change the assessment. October updates should separate ad-demand resilience from investment-driven EPS noise. Slower advertising with rising infrastructure commitments would be a more serious challenge than a short-lived price pullback.

Elev8 Model Components

Total score descending, with ties ordered by active weight

ETF	Pat.	Mean	Wtd.	OB/OS	Sector	Ind.	Eq↑	Rate↑	Total
VGT	1	1	1	0	2	0	1	-1	**5**
VDE	1	1	1	1	0	0	0	1	**5**
VHT	1	1	1	0	2	1	-1	0	**5**
VFH	0	1	1	1	-1	-1	1	1	**3**
VAW	0	1	-1	1	-1	-1	0	1	**0**
VIS	-1	1	-1	1	-1	-1	1	1	**0**
VOX	**0**	**-1**	**1**	**0**	**1**	**0**	**0**	**-1**	**0**
VCR	-1	-1	1	1	-1	-1	1	-1	**-2**
VNQ	-1	-1	-1	1	-1	-1	1	0	**-3**
VPU	-1	-1	-1	1	-1	-1	-1	-1	**-6**
VDC	0	-1	-1	0	-1	-1	-1	-1	**-6**

VOX scores 0.

Balance of evidence. VOX has 2 positive and 2 negative component readings. The positive and negative inputs cancel in the total. The neutral aggregate masks disagreement within the model.

Relative conviction. Technology, Energy and Health Care share the highest total score of 5. Staples and Utilities sit at -6. This spread distinguishes the strongest model support from the weakest, while the allocation table shows the portfolio exposure to each.

Sources and References

Primary research and report data

Meta Q2 2026 results, July 29, 2026
investor.atmeta.com

Meta Enterprise Platform, September 28, 2026
about.fb.com

Federal Reserve, September 16, 2026 FOMC statement
federalreserve.gov

BLS, August 2026 CPI released September 11
bls.gov

Alphabet Q2 2026, July 22
sec.gov

Comcast Q2 2026, July 23
cmcsa.gcs-web.com

Conference Board September confidence, September 29
conference-board.org

BLS August employment, September 4
bls.gov

BLS October 2026 release calendar
bls.gov

Federal Reserve 2026 FOMC meeting calendar
federalreserve.gov

BEA economic release schedule
bea.gov

Census retail sales release schedule
census.gov

Model: ETFInsight Elev8, September 29, 2026. Constituents: FactSet / MTIR corrected S&P 500 data.
Charts: Myrtle Tree Investment Research. Research cutoff: September 29, 2026.