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Monthly Insights: October Outlook

Consumer Discretionary

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ETFInsight Elev8 Model
Data and research through September 29, 2026

October Outlook: Consumer Discretionary

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**

VCR carries 5.92% of the portfolio versus 8.43% in BMK. The underweight is -2.50 percentage points.

October setup. Weak relative performance and expensive consumer financing support the Elev8 underweight. Amazon's cloud growth is a meaningful exception within a sector whose consumer-facing industries remain under pressure.

Elev8 conviction. The total score is -2, placing VCR at rank 8 among 11 sectors. The underweight reflects the eight model inputs and the October allocation.

Participation. 17.0% of the sector's 47 S&P 500 constituents outperformed over the latest month, and 19.1% are above their 50-day average. The median one-month excess return is -7.4%.

Earnings and market tension. Home Depot's lower transaction count and McDonald's weaker guest traffic corroborate caution on consumer demand. Amazon's cloud strength is a meaningful exception. Together these facts support VCR's -2.50 pp active weight without treating all constituents as equally exposed.

The principal allocation risk. A recovery needs stronger customer traffic and improving affordability alongside price repair. Better nominal sales driven by ticket size alone would provide weaker evidence against the underweight.

Technical Outlook: Consumer Discretionary



Support and resistance. VCR faces initial resistance near 385.94 at the 50-day average, followed by 387.82 at the 200-day average. At 366.40, price remains below both trend measures.

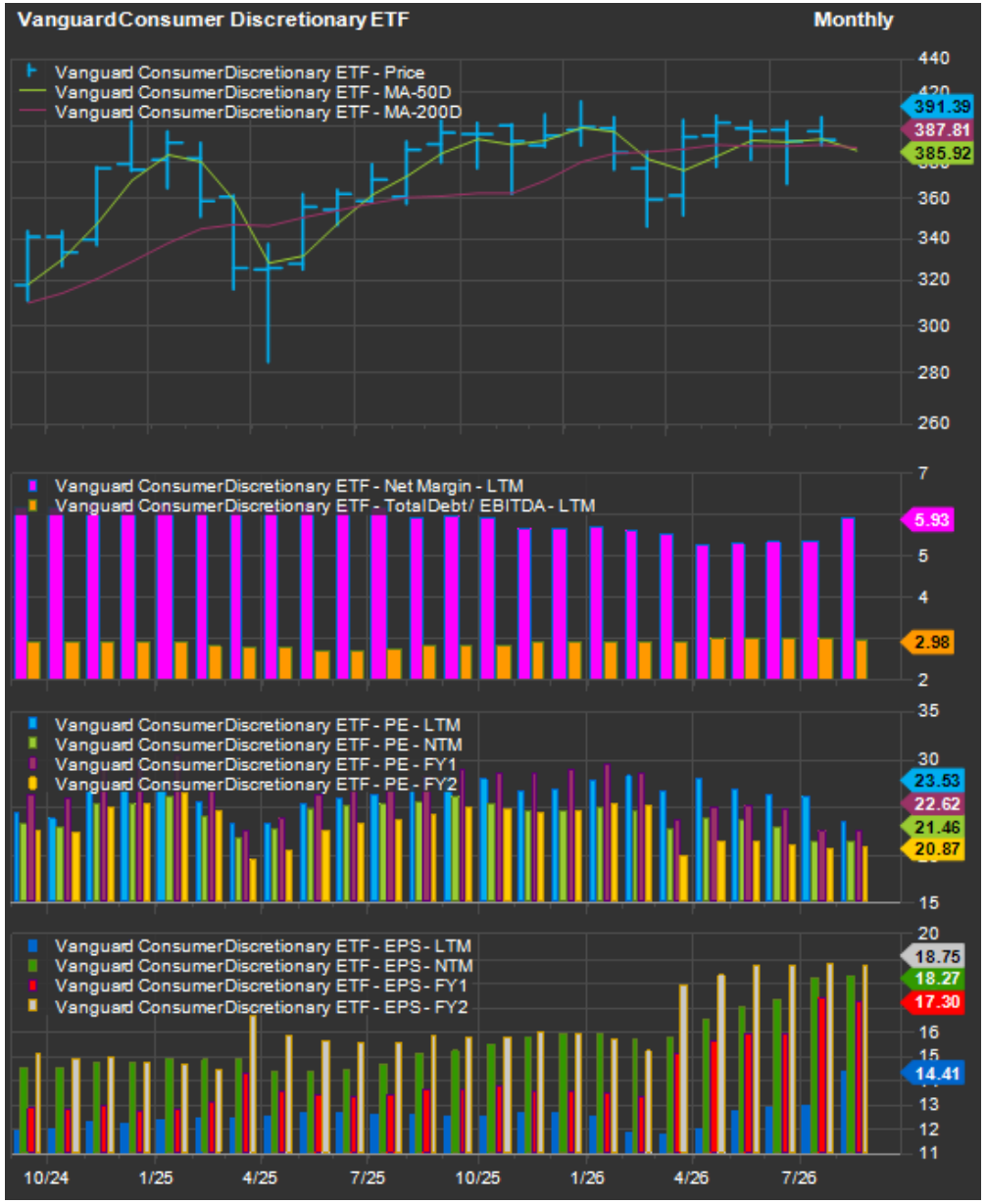
Momentum. RSI at 35.3 shows weak buying pressure. MACD is below its signal line, and remains below zero, showing that downside momentum still dominates.

Twelve-month relative trend. VCR has underperformed the S&P 500 by 20.75% 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. Home Depot's August release showed fewer comparable transactions, while the September confidence reading weakened further. These developments are consistent with the chart's weak consumer-facing industries. They provide context for the downtrend, without proving that a single data release caused the price move.

What price must confirm. VCR faces resistance near 385.94 at the 50-day average and 387.82 at the 200-day average. A sustained recovery through that zone, accompanied by broader relative strength, would weaken the underweight case.

Fundamentals: Consumer Discretionary



Profitability and balance sheet. The monthly VCR exhibit shows a trailing net margin of 5.93% and total debt / EBITDA of 2.98x. Margin direction and cash conversion will determine how much revenue growth reaches shareholders.

Valuation and estimates. Trailing P/E is 23.53x versus 21.46x on next-twelve-month earnings. FY1 and FY2 multiples are 22.62x and 20.87x. The lower forward multiple depends on forecast earnings becoming reported profits.

The earnings hurdle. NTM EPS of 18.27 is 26.8% above trailing EPS of 14.41. FY2 EPS of 18.75 is 8.4% above FY1 EPS of 17.30. These compare displayed earnings bases and are not next-quarter growth forecasts.

Investment gains obscure the operating picture. Amazon's Q2 net income included a $53.4bn pretax investment gain. Its $27.5bn operating income provides a cleaner measure of operating profitability. Aggregate earnings comparisons need care when a large constituent records material non-operating gains.

Cash investment creates a separate hurdle. Amazon's trailing-twelve-month free cash flow was an outflow of $7.6bn. Strong cloud demand may support future earnings while near-term capital spending absorbs cash. The sector's lower forward multiple should therefore be tested against cash conversion as well as EPS delivery.

Stock Valuation: Consumer Discretionary

Selected constituents: relative P/E ascending

Stock	Rel. P/E	1M excess	50DMA dist.
BKNG	**0.72x**	-19.9%	-13.9%
LOW	**0.76x**	-9.5%	-8.1%
MCD	**0.89x**	-11.0%	-9.6%
HD	**0.96x**	-11.3%	-9.4%
AMZN	**1.14x**	-7.3%	-4.5%
TJX	**1.21x**	-3.3%	-4.1%
DASH	**2.22x**	-24.4%	-15.3%
TSLA	**8.71x**	+2.8%	+0.1%

The table compares selected major franchises and relevant industry exposures.
BKNG is the lowest-multiple name in this group at 0.72x the index NTM P/E.
The selection is illustrative and is not a lowest-P/E screen of the whole sector.

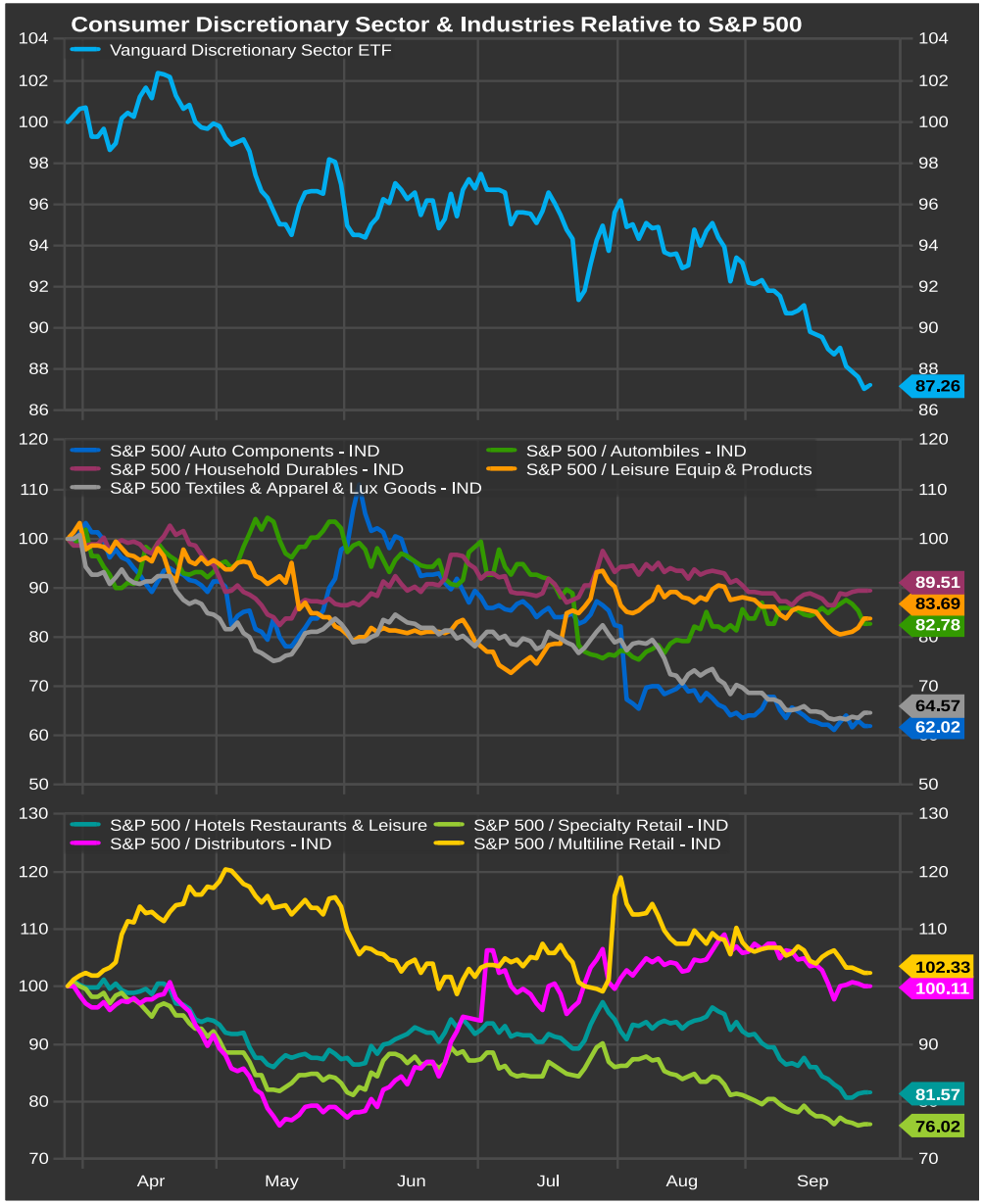
Valuation dispersion. BKNG at 0.72x and TSLA at 8.71x show the range across these franchises. Differences in growth, margins and earnings cyclicality matter when judging that spread.

Price confirmation. BKNG has -19.9% one-month excess return and trades 13.9% 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. Amazon's cloud business, Home Depot's housing exposure and McDonald's franchise economics warrant different valuation assumptions. The relative-P/E order makes pricing differences visible, but traffic, margins and capital intensity determine whether those differences are justified. A low multiple is less protective when earnings estimates still need to fall.

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: Consumer Discretionary



Six-month sector result. VCR has underperformed the S&P 500 by 12.74% over the previous six months. The result measures relative performance over April–September, separate from the twelve-month daily chart.

The strongest industry. The multiline retail group has outperformed the S&P 500 by 2.33% over the previous six months. Its positive relative result identifies a pocket of leadership within the sector.

The weakest industry. The auto components group has underperformed the S&P 500 by 37.98% over the previous six months. The contrast with multiline retail argues for an industry-specific view of earnings and risk.

Other important curves. Distributors outperformed by 0.11%, Household durables underperformed by 10.49%, Leisure products underperformed by 16.31%, each over the previous six months.

Operating context for the dispersion. Multiline retail's stronger curve coexists with weaker specialty retail and leisure. Amazon's cloud exposure helps distinguish a major constituent from purely household-driven businesses, while Home Depot and McDonald's traffic data reveal pressure beyond nominal sales. The sector curve therefore combines materially different demand engines.

Industry Breadth: Consumer Discretionary

Sorted by outperforming share, then median excess return

Industry	Stocks	Beat BMK	>50DMA	Median ex.
Broadline Retail	2	**50.0%**	50.0%	-2.7%
Automobiles	3	**33.3%**	33.3%	-6.1%
Specialty Retail	11	**27.3%**	27.3%	-2.0%
Household Durables	5	**20.0%**	20.0%	-4.7%
Textiles Apparel & Luxury Goods	5	**20.0%**	20.0%	-9.0%
Hotels & leisure	18	**5.6%**	11.1%	-13.7%
Automobile Components	1	**0.0%**	0.0%	-4.3%
Leisure Products	1	**0.0%**	0.0%	-4.8%
Distributors	1	**0.0%**	0.0%	-5.8%

Broadline Retail leads on the sorting measure with 50.0% 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. 17.0% of constituents beat the benchmark, while the median stock underperformed by 7.4%. 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. Distributors 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 VCR. Breadth is a separate diagnostic and does not mechanically change the model allocation.

October Investment Themes: Consumer Discretionary

Earnings drivers and the conditions needed for stronger conviction

Amazon: cloud provides a different demand engine. Amazon's July 30 Q2 release reported $200.6bn sales, up 20%, with AWS revenue up 37% to $42.2bn. The cloud business provides exposure to enterprise investment budgets, distinct from household purchases. That mix creates an important exception to the consumer-demand pressures affecting other large constituents.

Home Depot: ticket growth masks fewer transactions. Home Depot's August 18 Q2 release reported $47.9bn sales, up 5.7%, and 1.7% comparable-sales growth. Comparable average ticket rose 2.8%, while transactions fell 1.0%. The composition suggests that positive nominal sales alone do not establish a recovery in household purchase frequency.

McDonald's: modest growth with traffic pressure. McDonald's August 4 Q2 release reported 1.3% global comparable-sales growth and 0.8% U.S. growth. In the U.S., a higher average check offset negative comparable guest counts. The result supports caution on restaurant demand even though adjusted EPS increased 6% to $3.38.

The common investment risk. The important distinction is transaction recovery versus ticket inflation. Consumers can spend more per visit while purchasing less frequently. A durable recovery in sector earnings would be more persuasive if customer counts improve without requiring promotions that erode margins.

Top 10 Stock Performers: Consumer Discretionary

Rolling one-month excess return, highest to lowest

Company	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
Best Buy (BBY)	Specialty Retail	Bullish Reversal	**+10.4%**	0.66x	14.1	1.16
Ulta Beauty (ULTA)	Specialty Retail	Consolidation	**+6.4%**	0.92x	3.0	1.14
Ross Stores (ROST)	Specialty Retail	Bullish Reversal	**+4.2%**	1.39x	2.8	0.73
Garmin (GRMN)	Household Durables	Bullish Reversal	**+3.8%**	1.40x	13.7	0.86
Tesla (TSLA)	Automobiles	Consolidation	**+2.8%**	8.71x	-9.0	1.75
Marriott Intl. (MAR)	Hotels & leisure	Consolidation	**+2.4%**	1.46x	-5.6	1.03
eBay (EBAY)	Broadline Retail	Bullish Reversal	**+1.9%**	0.85x	-1.7	0.90
Ralph Lauren (RL)	Textiles Apparel & Luxury Goods	Consolidation	**+1.4%**	0.93x	-10.8	1.46
Hilton Worldwide (HLT)	Hotels & leisure	Consolidation	**-0.2%**	1.65x	-6.8	0.91
AutoZone (AZO)	Specialty Retail	Retracement	**-1.4%**	0.88x	-12.9	0.27

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

Leaders in context. BBY leads at +10.4% excess return. 8 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: Consumer Discretionary

Rolling one-month excess return, lowest to highest

Company	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
DoorDash (DASH)	Hotels & leisure	Bullish Reversal	**-24.4%**	2.22x	-10.9	1.59
MGM Resorts (MGM)	Hotels & leisure	Downtrend	**-24.4%**	0.86x	-34.0	1.19
Booking (BKNG)	Hotels & leisure	Retracement	**-19.9%**	0.72x	-17.1	0.70
Expedia (EXPE)	Hotels & leisure	Bullish Reversal	**-19.5%**	0.58x	-8.7	1.00
Carvana (CVNA)	Specialty Retail	Retracement	**-18.1%**	1.52x	-13.6	3.20
Airbnb (ABNB)	Hotels & leisure	Bullish Reversal	**-17.3%**	1.35x	-2.8	0.69
lululemon athletica (LULU)	Textiles Apparel & Luxury Goods	Downtrend	**-16.5%**	0.59x	-25.0	0.43
Chipotle Mexican Grill (CMG)	Hotels & leisure	Downtrend	**-16.0%**	1.26x	-13.0	0.68
Domino's Pizza (DPZ)	Hotels & leisure	Downtrend	**-15.7%**	0.75x	-15.0	0.49
Wynn Resorts (WYNN)	Hotels & leisure	Downtrend	**-15.2%**	0.85x	-24.3	0.83

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

Laggards in context. DASH has the weakest return at -24.4% excess return. 0 of these ten stocks outperformed the benchmark.

Model contribution. 3 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: Consumer Discretionary

Household sentiment deteriorated into October. The Conference Board's September 29 release showed confidence down 6.7 points to 81.9 and expectations down 5.9 points to 63.6. This coincides with the weak sector relative trend. Sentiment is not actual spending, but it reinforces the need for traffic and volume evidence before increasing exposure.

Essential costs constrain purchasing flexibility. August average hourly earnings rose 3.1% year over year, while headline CPI rose 3.4% and energy prices rose 16.3%. The comparison suggests pressure on purchasing flexibility, although these aggregates do not measure the same households. Home Depot and McDonald's transaction evidence provides a company-level cross-check.

Financing remains a hurdle. The September 24 mortgage rate of 7.03% and September Fed hike raise affordability constraints for homes and financed durable goods. Lower borrowing costs could help replacement and discretionary purchases, but a lasting demand recovery would also need stable employment and stronger household confidence.

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. A stronger consumer case would combine improving traffic, stable margins and easier financing. Better confidence alone would be an early signal, while actual purchase activity would provide confirmation.

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**

VCR scores -2.

Balance of evidence. VCR has 3 positive and 5 negative component readings. Negative inputs dominate despite pockets of support. A stronger outlook would require improvement beyond a single favorable component.

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.

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