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Monthly Insights: October Outlook

Financials

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ETFInsight Elev8 Model
Data and research through September 29, 2026

October Outlook: Financials

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**

VFH carries 12.78% of the portfolio versus 11.78% in BMK. The overweight is +0.99 percentage points.

October setup. The modest Elev8 overweight faces weak technical confirmation. Strong operating results at major banks provide a fundamental rationale, but October must show that earnings quality can overcome deteriorating breadth.

Elev8 conviction. The total score is 3, placing VFH at rank 4 among 11 sectors. The overweight reflects the eight model inputs and the October allocation.

Participation. 5.3% of the sector's 76 S&P 500 constituents outperformed over the latest month, and 3.9% are above their 50-day average. The median one-month excess return is -7.2%.

Earnings and market tension. Strong bank results and the FDIC's profitability data support a modest +0.99 pp active position. The six-month underperformance and poor breadth remain a material challenge. The appropriate conclusion is an earnings case awaiting market confirmation.

The principal allocation risk. October bank guidance should confirm deposit pricing, loan demand and credit costs. Deteriorating credit with continued weak breadth would challenge the overweight more directly than a low P/E would defend it.

Technical Outlook: Financials



Support and resistance. VFH holds support near 131.47 at its 200-day average, while the 50-day average presents resistance near 139.34. At 131.65, the gap between price and long-term support deserves close attention.

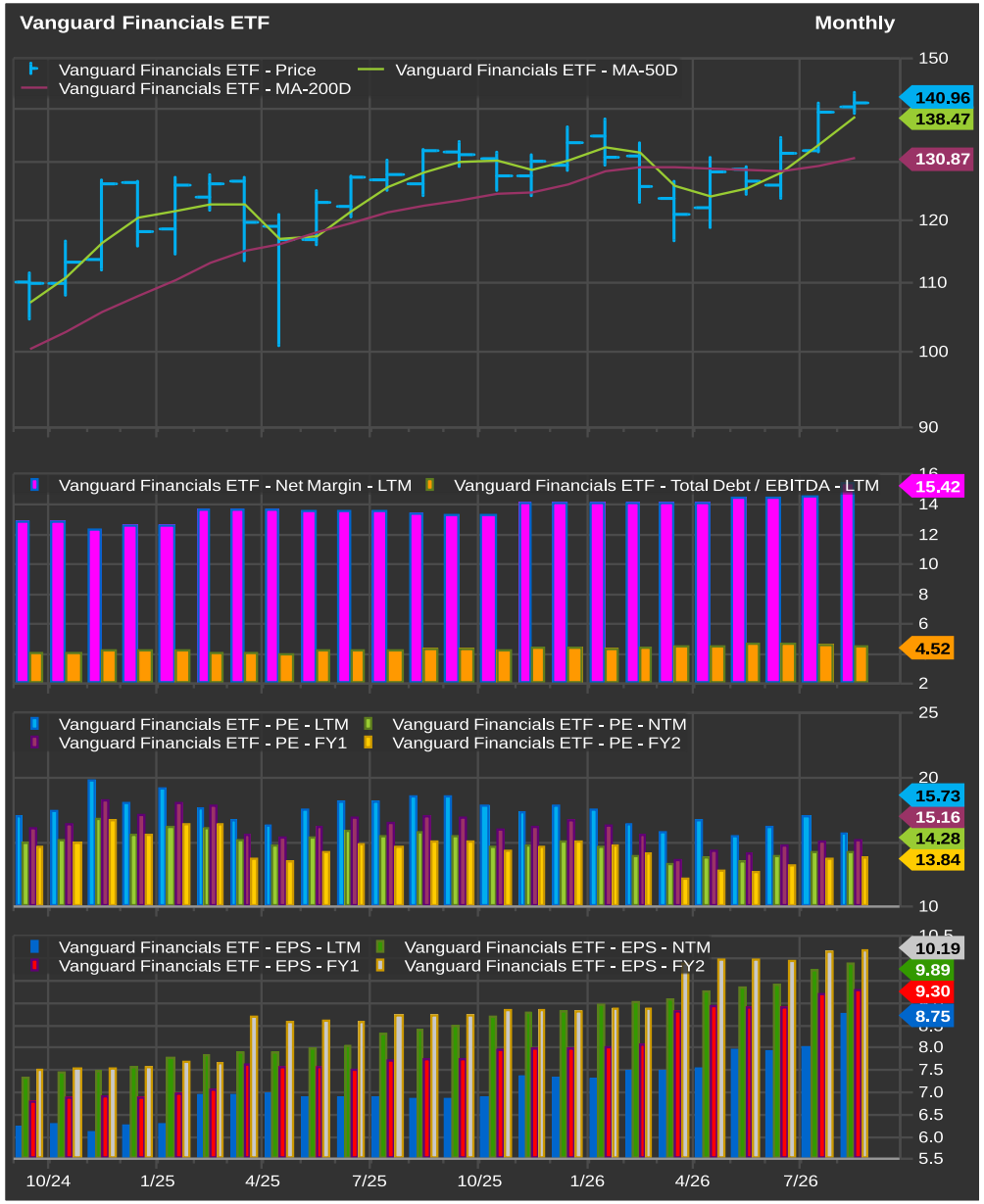
Momentum. RSI at 27.3 signals oversold conditions, which can support a rebound without establishing a durable floor. MACD is below its signal line, and remains below zero, showing that downside momentum still dominates.

Twelve-month relative trend. VFH has underperformed the S&P 500 by 12.98% 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. The sharp September relative deterioration followed stronger Q2 bank results. That sequence suggests the market is questioning future returns rather than merely reacting to weak reported profits. Deposit repricing, credit expectations and the new policy rate provide tests for the next reporting cycle.

What price must confirm. VFH is testing support near 131.47 at its 200-day average. Holding this level and recovering breadth would support the overweight. A sustained break would leave the allocation with little technical confirmation.

Fundamentals: Financials



Profitability and balance sheet. The monthly VFH exhibit shows a trailing net margin of 15.42% and total debt / EBITDA of 4.52x. For banks, regulatory capital and funding metrics are more informative than an industrial-style leverage comparison.

Valuation and estimates. Trailing P/E is 15.73x versus 14.28x on next-twelve-month earnings. FY1 and FY2 multiples are 15.16x and 13.84x. The lower forward multiple depends on forecast earnings becoming reported profits.

The earnings hurdle. NTM EPS of 9.89 is 13.0% above trailing EPS of 8.75. FY2 EPS of 10.19 is 9.6% above FY1 EPS of 9.30. These compare displayed earnings bases and are not next-quarter growth forecasts.

Capital-market gains require normalization. JPMorgan reported $21.2bn Q2 net income, versus $16.9bn excluding significant items. The adjusted comparison better separates recurring earnings from exceptional contributions. Sector forward multiples should use an earnings base consistent with the normalization applied to individual banks.

Credit costs anchor the downside assessment. JPMorgan reported $2.4bn net charge-offs and a 3.34% card net charge-off rate in Q2. These credit metrics are more informative than debt / EBITDA for a bank. Track whether provisions and losses remain compatible with forward EPS assumptions as consumer budgets tighten.

Stock Valuation: Financials

Selected constituents: relative P/E ascending

Stock	Rel. P/E	1M excess	50DMA dist.
WFC	**0.54x**	-6.5%	-6.9%
BAC	**0.57x**	-10.3%	-9.4%
GS	**0.66x**	-10.7%	-9.0%
JPM	**0.70x**	-5.6%	-4.9%
MS	**0.74x**	-9.6%	-8.2%
BRK.B	**1.18x**	-0.1%	-0.6%
V	**1.27x**	-3.4%	-0.8%
MA	**1.32x**	-4.3%	-1.1%

The table compares selected major franchises and relevant industry exposures.
WFC is the lowest-multiple name in this group at 0.54x the index NTM P/E.
The selection is illustrative and is not a lowest-P/E screen of the whole sector.

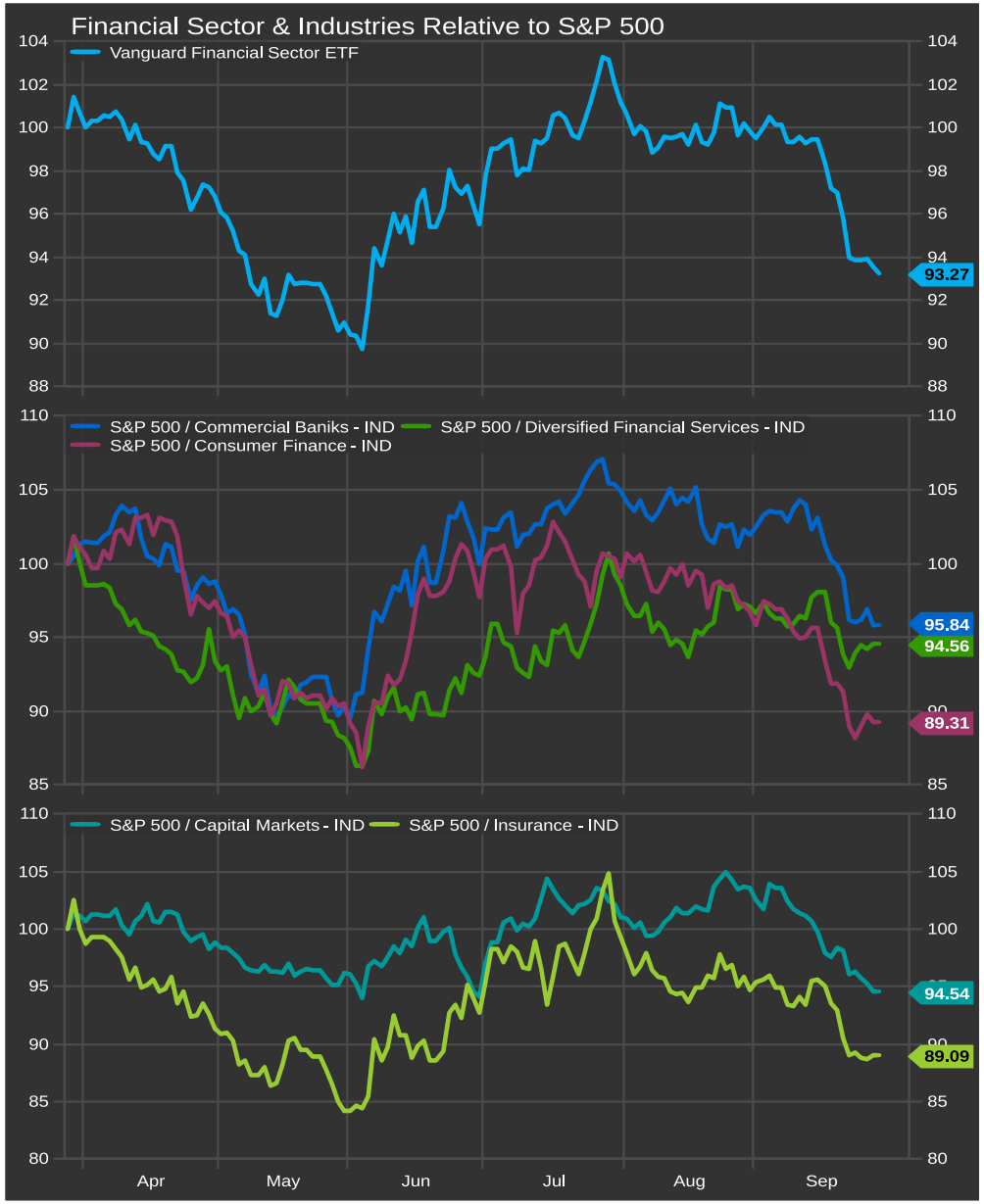
Valuation dispersion. WFC at 0.54x and MA at 1.32x show the range across these franchises. Differences in growth, margins and earnings cyclicality matter when judging that spread.

Price confirmation. WFC has -6.5% one-month excess return and trades 6.9% 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. JPM and BAC require credit and funding analysis, while GS is more sensitive to transaction activity and market conditions. A low relative P/E can price a peak earnings period or expected credit deterioration. Return on equity, capital needs and normalized earnings should explain the discount before it becomes a purchase argument.

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: Financials



Six-month sector result. VFH has underperformed the S&P 500 by 6.73% over the previous six months. The result measures relative performance over April–September, separate from the twelve-month daily chart.

The strongest industry. The commercial banks group has underperformed the S&P 500 by 4.16% over the previous six months. Leadership here means a smaller relative loss, so the strongest curve still falls short of positive excess performance.

The weakest industry. The insurance group has underperformed the S&P 500 by 10.91% over the previous six months. The contrast with commercial banks argues for an industry-specific view of earnings and risk.

Other important curves. Diversified financials underperformed by 5.44%, Capital markets underperformed by 5.46%, Consumer finance underperformed by 10.69%, each over the previous six months.

Operating context for the dispersion. Strong lending and capital-markets results have not prevented the weak Financials curve. The chart captures investor expectations across banks, insurers and other financial businesses, while individual results reflect narrower exposures. This is a genuine disagreement between current earnings strength and market confirmation.

Industry Breadth: Financials

Sorted by outperforming share, then median excess return

Industry	Stocks	Beat BMK	>50DMA	Median ex.
Financial Services	11	**9.1%**	0.0%	-7.2%
Capital Markets	26	**7.7%**	7.7%	-8.6%
Insurance	23	**4.3%**	4.3%	-4.1%
Banks	13	**0.0%**	0.0%	-6.4%
Consumer Finance	3	**0.0%**	0.0%	-8.1%

Financial Services leads on the sorting measure with 9.1% 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. 5.3% of constituents beat the benchmark, while the median stock underperformed by 7.2%. 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. Consumer Finance 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 an overweight in VFH. Breadth is a separate diagnostic and does not mechanically change the model allocation.

October Investment Themes: Financials

Earnings drivers and the conditions needed for stronger conviction

JPMorgan: operating strength contrasts with the chart. JPMorgan's July 14 Q2 release reported 10% net interest income growth and 30% investment-banking fee growth. The combination shows earnings support from both lending and client activity. These drivers provide a case for the modest VFH overweight, while the weak relative curve indicates that the market has not broadly confirmed it.

Bank of America: growth with manageable charge-offs. Bank of America's July 14 Q2 release reported $9.1bn net income, up 27%, and $16.0bn GAAP net interest income, up 9%. Loans rose 8% to $1.22tn, while net charge-offs were $1.4bn versus $1.5bn a year earlier. These are actual credit and earnings observations, preceding the September rate increase.

Goldman Sachs: capital markets add another driver. Goldman Sachs reported $20.34bn Q2 revenue, $6.63bn net earnings and 23.5% return on equity on July 14. The strength provides an additional earnings channel beyond spread lending. Capital-markets activity is cyclical, so a strong quarter alone cannot establish a durable recovery in Financials' stock participation.

The common investment risk. The modest overweight has a clear burden of proof. Improving earnings alone will be less persuasive if loan-loss expectations rise or stock participation keeps narrowing. The position needs forward credit resilience, not simply another strong historical quarter.

Top 10 Stock Performers: Financials

Rolling one-month excess return, highest to lowest

Company	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
Robinhood Markets (HOOD)	Capital Markets	Bullish Reversal	**+12.0%**	2.21x	21.2	3.58
Coinbase Global (COIN)	Capital Markets	Bullish Reversal	**+7.6%**	7.81x	13.8	4.22
Principal Financial (PFG)	Insurance	Bullish Reversal	**+3.9%**	0.58x	4.8	1.05
PayPal (PYPL)	Financial Services	Bullish Reversal	**+1.7%**	0.49x	10.3	0.89
Berkshire Hathaway (BRK.B)	Financial Services	Consolidation	**-0.1%**	1.18x	-4.8	0.19
MetLife (MET)	Insurance	Bullish Reversal	**-0.5%**	0.46x	8.0	0.90
W. R. Berkley (WRB)	Insurance	Consolidation	**-0.7%**	0.72x	-8.2	0.20
Citigroup (C)	Banks	Uptrend	**-0.9%**	0.55x	-5.7	1.09
Travelers (TRV)	Insurance	Bullish Reversal	**-1.2%**	0.60x	4.3	0.27
Everest (EG)	Insurance	Consolidation	**-1.3%**	0.33x	-1.2	0.11

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

Leaders in context. HOOD leads at +12.0% excess return. 4 of these ten stocks outperformed the benchmark. A top-ten rank can still represent a relative loss.

Model contribution. 7 of ten stocks contribute positively to the model score. Positive model contributions support several names, although the recent winners differ in valuation and price structure.

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: Financials

Rolling one-month excess return, lowest to highest

Company	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
Aon (AON)	Insurance	Downtrend	**-23.2%**	0.70x	-24.7	0.41
Blackstone (BX)	Capital Markets	Retracement	**-19.3%**	0.84x	-10.7	1.43
Cboe Global Markets (CBOE)	Capital Markets	Retracement	**-17.9%**	0.89x	-10.9	0.35
Brown & Brown (BRO)	Insurance	Downtrend	**-17.6%**	0.66x	-15.8	0.23
Fidelity National Info. Svcs. (FIS)	Financial Services	Downtrend	**-16.0%**	0.27x	-21.5	0.67
Ares Management (ARES)	Capital Markets	Consolidation	**-15.8%**	0.89x	-3.8	1.13
Willis Towers Watson (WTW)	Insurance	Consolidation	**-14.8%**	0.69x	-5.0	-0.01
Erie Indemnity (ERIE)	Insurance	Downtrend	**-14.5%**	0.91x	-15.6	0.24
KKR (KKR)	Capital Markets	Consolidation	**-13.9%**	0.67x	-7.9	1.85
Arthur J. Gallagher (AJG)	Insurance	Consolidation	**-13.7%**	0.82x	-7.6	0.20

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

Laggards in context. AON has the weakest return at -23.2% 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: Financials

Industry profitability offers a counterpoint. The FDIC's August 25 Q2 banking profile reported $90.1bn net income, up 12% sequentially, and a 3.32% net interest margin, up one basis point. Deposits rose 0.8% and loans 1.8% from Q1. That evidence argues against interpreting September stock weakness as proof of an already deteriorating banking system.

Rate sensitivity works in both directions. The September 16 hike took the policy range to 3.75–4.00%. Asset repricing may help some banks, but deposit costs and borrower affordability can offset the benefit. Q2 earnings predate this action and should not be attributed to it. October updates need to establish the net effect.

Credit resilience remains the key test. August unemployment was 4.1%, while September consumer confidence fell to 81.9. Employment provides a buffer, but weaker sentiment and 3.4% headline inflation can pressure borrowers. Track charge-offs and provisions against these conditions rather than inferring credit quality from equity prices 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. The October reporting cycle should distinguish asset-yield benefits from deposit-cost pressure. Better credit and deposit outcomes would support patience with the model, while higher provisions would weaken it.

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**

VFH scores 3.

Balance of evidence. VFH has 5 positive and 2 negative component readings. Positive inputs outweigh the offsets, although the total does not imply uniform agreement across all eight components.

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.