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Monthly Insights: October Outlook

Industrials

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ETFInsight Elev8 Model
Data and research through September 29, 2026

October Outlook: Industrials

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

VIS carries 7.88% of the portfolio versus 8.10% in BMK. The underweight is -0.23 percentage points.

October setup. AI power and construction investment support selected earnings franchises, but broad relative weakness favors Elev8's near-benchmark allocation. Capital-goods demand and stock performance are telling different stories.

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

Participation. 27.7% of the sector's 83 S&P 500 constituents outperformed over the latest month, and 22.9% are above their 50-day average. The median one-month excess return is -5.3%.

Earnings and market tension. Caterpillar, Eaton and GE Vernova provide concrete exceptions to the sector's weak relative trend. Their results favor selective equipment exposure within VIS's near-benchmark allocation, rather than a broad cyclical overweight.

The principal allocation risk. Follow backlog conversion, cancellation rates and margins. A softer order book or rising project costs would weaken the equipment case, while broader production growth could support a more constructive sector view.

Technical Outlook: Industrials



Support and resistance. VIS faces initial resistance near 334.40 at the 200-day average, followed by 340.71 at the 50-day average. At 324.00, price remains below both trend measures.

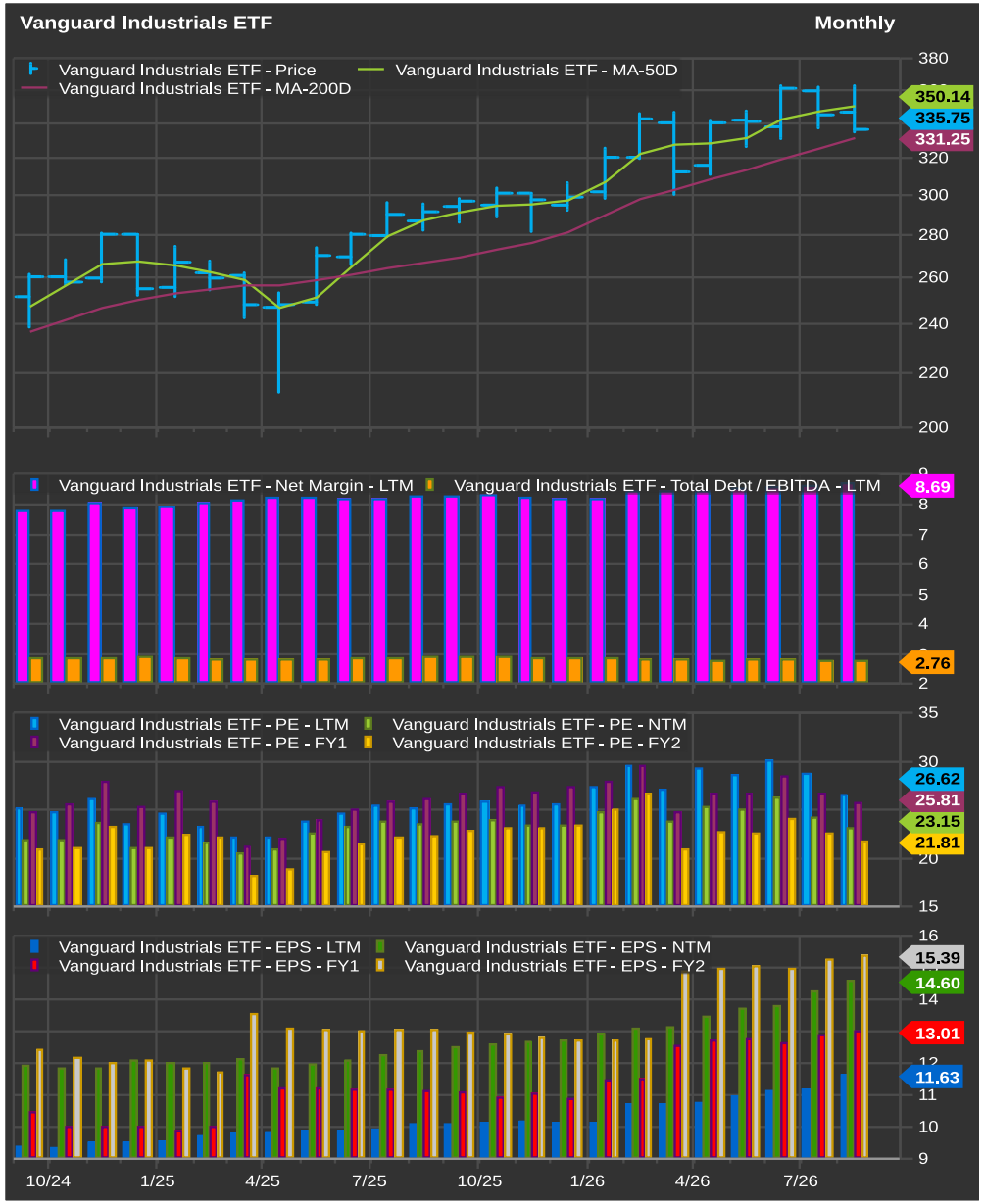
Momentum. RSI at 36.5 shows weak buying pressure. MACD is above its signal line, but remains below zero, suggesting improving near-term momentum.

Twelve-month relative trend. VIS has underperformed the S&P 500 by 4.54% 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. Caterpillar's August results and the summer electrical-equipment releases provide support for selected stocks during a weak sector-relative period. The macro production data remain uneven. That divergence makes sustained support and wider participation more important than a single strong equipment earnings report.

What price must confirm. Recovering resistance near 334.40 at the 200-day average would be the first repair signal. The 50-day average near 340.71 is the next hurdle. A positive MACD spread alone does not repair the price breakdown.

Fundamentals: Industrials



Profitability and balance sheet. The monthly VIS exhibit shows a trailing net margin of 8.69% and total debt / EBITDA of 2.76x. Margin direction and cash conversion will determine how much revenue growth reaches shareholders.

Valuation and estimates. Trailing P/E is 26.62x versus 23.15x on next-twelve-month earnings. FY1 and FY2 multiples are 25.81x and 21.81x. The lower forward multiple depends on forecast earnings becoming reported profits.

The earnings hurdle. NTM EPS of 14.60 is 25.5% above trailing EPS of 11.63. FY2 EPS of 15.39 is 18.3% above FY1 EPS of 13.01. These compare displayed earnings bases and are not next-quarter growth forecasts.

Cash flow tests the backlog story. Eaton reported $874m of Q2 free cash flow, up 22%, while GE Vernova reported $5.1bn. Cash generation provides evidence beyond orders, although quarterly timing and working capital can be material. The sector's forward earnings step-up needs conversion of demand into cash profits.

Margin direction qualifies sales growth. Eaton's companywide segment margin fell 80 basis points year over year despite strong organic growth. Caterpillar's adjusted margin improved. The contrast means rising equipment demand does not deliver uniform operating leverage, especially when mix, capacity additions and execution costs differ.

Stock Valuation: Industrials

Selected constituents: relative P/E ascending

Stock	Rel. P/E	1M excess	50DMA dist.
UBER	**0.85x**	-13.3%	-8.4%
HON	**1.15x**	-2.5%	-1.5%
RTX	**1.26x**	-11.1%	-8.4%
CAT	**1.37x**	+2.7%	+0.3%
ETN	**1.45x**	+7.4%	+2.0%
DE	**1.61x**	+9.7%	+4.7%
GE	**1.88x**	-6.8%	-5.7%
BE	**3.12x**	+25.0%	+8.4%

The table compares selected major franchises and relevant industry exposures.
UBER is the lowest-multiple name in this group at 0.85x the index NTM P/E.
The selection is illustrative and is not a lowest-P/E screen of the whole sector.

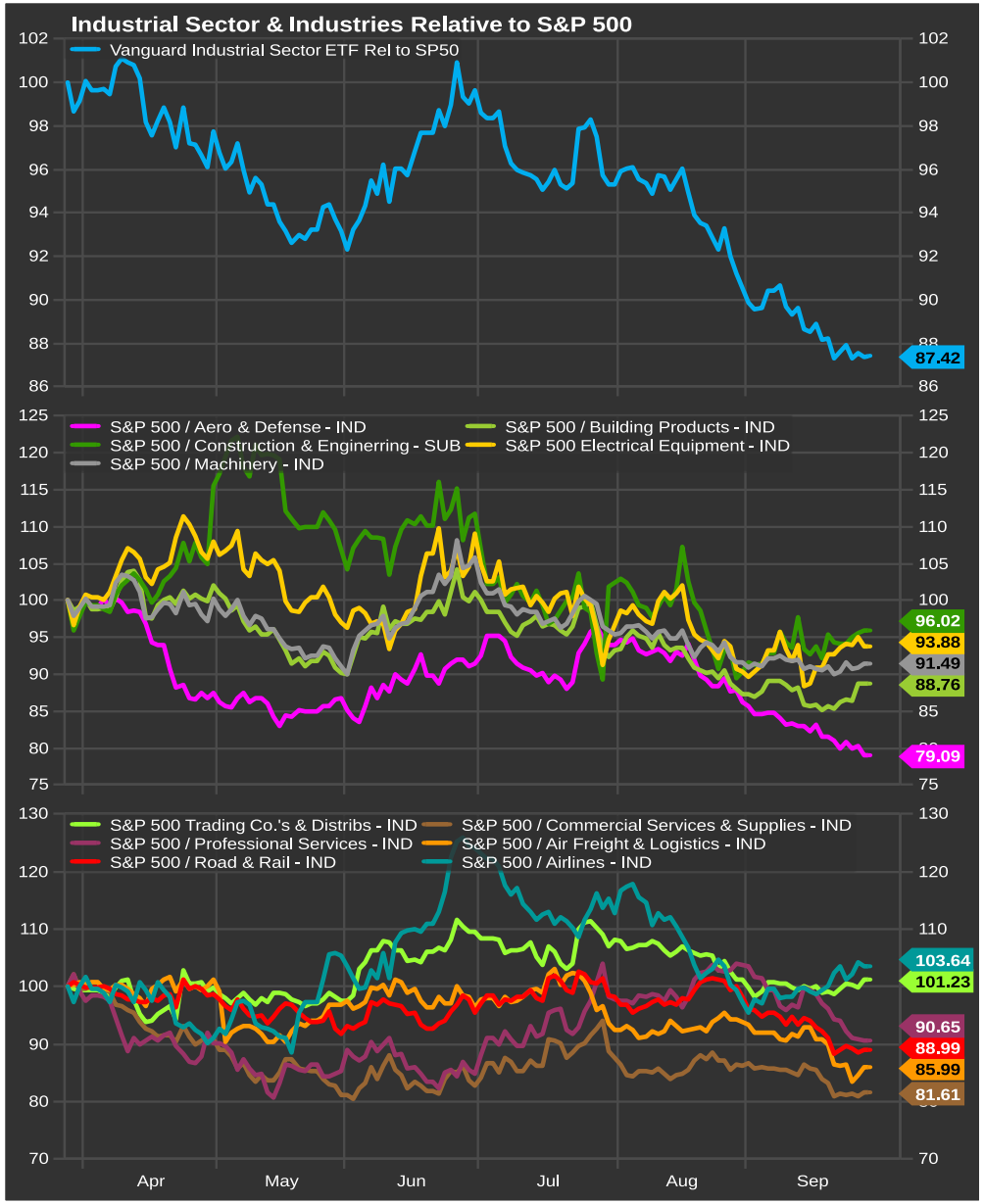
Valuation dispersion. UBER at 0.85x and BE at 3.12x show the range across these franchises. Differences in growth, margins and earnings cyclicality matter when judging that spread.

Price confirmation. UBER has -13.3% one-month excess return and trades 8.4% 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. Equipment franchises with long backlogs can command different multiples from transport and business-service companies. For CAT and electrical suppliers, the key valuation issue is profit on the backlog rather than its size alone. A premium is harder to sustain if working capital rises faster than cash earnings.

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: Industrials



Six-month sector result. VIS has underperformed the S&P 500 by 12.58% over the previous six months. The result measures relative performance over April–September, separate from the twelve-month daily chart.

The strongest industry. The airlines group has outperformed the S&P 500 by 3.64% over the previous six months. Its positive relative result identifies a pocket of leadership within the sector.

The weakest industry. The aerospace & defense group has underperformed the S&P 500 by 20.91% over the previous six months. The contrast with airlines argues for an industry-specific view of earnings and risk.

Other important curves. Trading & distribution outperformed by 1.23%, Construction & engineering underperformed by 3.98%, Electrical equipment underperformed by 6.12%, each over the previous six months.

Operating context for the dispersion. Power equipment and machinery have company evidence of demand, while the broader manufacturing output series remains subdued. Industry dispersion therefore reflects differences in end-market exposure. Strong electrical orders should not be used to infer equivalent conditions in transportation or commercial services.

Industry Breadth: Industrials

Sorted by outperforming share, then median excess return

Industry	Stocks	Beat BMK	>50DMA	Median ex.
Construction & Engineering	3	**100.0%**	66.7%	+7.2%
Passenger Airlines	3	**100.0%**	66.7%	+5.2%
Electrical Equipment	9	**88.9%**	66.7%	+4.4%
Trading Companies & Distributors	4	**50.0%**	25.0%	+0.7%
Machinery	17	**29.4%**	29.4%	-3.1%
Building Products	7	**28.6%**	28.6%	-3.0%
Industrial Conglomerates	3	**0.0%**	0.0%	-2.5%
Commercial services	6	**0.0%**	0.0%	-4.6%
Air Freight & Logistics	4	**0.0%**	25.0%	-5.6%
Aerospace & Defense	13	**0.0%**	0.0%	-8.9%
Ground Transportation	7	**0.0%**	0.0%	-10.6%
Professional Services	7	**0.0%**	0.0%	-12.0%

Construction & Engineering leads on the sorting measure with 100.0% 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. 27.7% of constituents beat the benchmark, while the median stock underperformed by 5.3%. 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. Professional 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 VIS. Breadth is a separate diagnostic and does not mechanically change the model allocation.

October Investment Themes: Industrials

Earnings drivers and the conditions needed for stronger conviction

Caterpillar: equipment growth reaches margins. Caterpillar's August 4 Q2 release reported $20.5bn sales, up 24%, and a 21.9% adjusted operating margin versus 17.6% a year earlier. This provides evidence of profitable equipment demand. The sector's weak breadth nevertheless argues against extending one franchise's results to every industrial end market.

Eaton: electrical demand has order support. Eaton's July 31 Q2 release reported $8.5bn sales, up 21%, including 14% organic growth. Electrical Americas rolling twelve-month orders rose 41% and its backlog grew 33%. The order evidence supports demand beyond the current quarter. October updates should indicate whether delivery capacity can keep pace with customer requirements.

GE Vernova: power investment extends the cycle. GE Vernova's Q2 release reported $24.2bn orders, up 88% organically, and a $176bn backlog. Gas-turbine equipment backlog plus slot reservations reached 116GW from 100GW. Reservations provide a different level of commitment from firm orders, but both indicate demand for capacity beyond the current quarter.

The common investment risk. Backlog is a resource only if projects ship profitably. Slot reservations, firm orders and recognized revenue are different stages of commitment. Construction delays, cost escalation or cancellations could weaken the earnings case before a headline backlog visibly contracts.

Top 10 Stock Performers: Industrials

Rolling one-month excess return, highest to lowest

Company	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
Bloom Energy (BE)	Electrical Equipment	Uptrend	**+25.0%**	3.12x	22.5	6.12
Generac (GNRC)	Electrical Equipment	Support	**+11.9%**	0.91x	-15.1	2.30
Deere (DE)	Machinery	Bullish Reversal	**+9.7%**	1.61x	7.1	0.59
Comfort Systems USA (FIX)	Construction & Engineering	Uptrend	**+9.5%**	1.50x	-4.8	1.98
Southwest Airlines (LUV)	Passenger Airlines	Consolidation	**+7.4%**	0.52x	-10.7	1.18
Eaton (ETN)	Electrical Equipment	Bullish Reversal	**+7.4%**	1.45x	3.5	1.37
Johnson (JCI)	Building Products	Uptrend	**+7.2%**	1.26x	2.3	1.04
Quanta Services (PWR)	Construction & Engineering	Uptrend	**+7.2%**	1.76x	-4.2	1.80
AMETEK (AME)	Electrical Equipment	Bullish Reversal	**+6.9%**	1.44x	2.6	0.93
Delta Air Lines (DAL)	Passenger Airlines	Bullish Reversal	**+5.2%**	0.57x	-3.5	1.50

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

Leaders in context. BE leads at +25.0% excess return. 10 of these ten stocks outperformed the benchmark.

Model contribution. 8 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: Industrials

Rolling one-month excess return, lowest to highest

Company	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
Axon (AXON)	Aerospace & Defense	Retracement	**-29.0%**	2.24x	-19.9	1.50
Equifax (EFX)	Professional Services	Downtrend	**-24.5%**	0.78x	-20.8	1.25
Paychex (PAYX)	Professional Services	Consolidation	**-21.6%**	0.84x	-10.8	0.37
Copart (CPRT)	Commercial services	Downtrend	**-17.2%**	0.85x	-20.5	0.77
Rollins (ROL)	Commercial services	Downtrend	**-15.7%**	1.26x	-34.1	0.67
FedEx Freight Holding (FDXF)	Ground Transportation	Retracement	**-15.6%**	1.18x	N/A	0.39
Pentair (PNR)	Machinery	Downtrend	**-13.7%**	0.54x	-33.3	0.97
Howmet Aerospace (HWM)	Aerospace & Defense	Support	**-13.5%**	1.90x	-18.2	1.44
Uber Tech. (UBER)	Ground Transportation	Retracement	**-13.3%**	0.85x	-16.2	1.39
J.B. Hunt Transport Services (JBHT)	Ground Transportation	Retracement	**-13.1%**	1.24x	-18.1	1.25

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

Laggards in context. AXON has the weakest return at -29.0% excess return. 0 of these ten stocks outperformed the benchmark.

Model contribution. 1 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: Industrials

Survey expansion exceeds realized production. The August ISM manufacturing PMI was 54.6, down from 55.6 in July but still expansionary. The Fed reported manufacturing output down 0.3% in August and up 0.9% year over year. Strong electrical backlogs can therefore coexist with uneven realized activity across other industrial businesses.

Power demand has a measurable economic base. The Fed's September 18 release showed utility output up 1.8% in August and 6.2% year over year. This is consistent with the need for generation and grid equipment. Weather and operating factors also affect monthly utility output, so the release alone does not quantify structural data-center demand.

Employment adds selective confirmation. August manufacturing payrolls increased 16,000, including 6,000 each in machinery and fabricated metals. Nonresidential specialty-trade construction added 8,000 jobs. These figures support pockets of capital activity, while higher financing costs still raise customers' project hurdles.

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 conviction would improve if equipment backlogs convert into cash while broader production stabilizes. Rising orders without margin or cash conversion would be weaker evidence for increasing sector exposure.

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**

VIS scores 0.

Balance of evidence. VIS has 4 positive and 4 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.

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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.