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Monthly Insights: October Outlook

Materials

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ETFInsight Elev8 Model
Data and research through September 29, 2026

October Outlook: Materials

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

VAW carries 1.78% of the portfolio versus 1.80% in BMK. The underweight is -0.02 percentage points.

October setup. Elev8 is close to benchmark weight despite very weak constituent participation. Metals' longer-horizon resilience contrasts with chemicals and construction materials, leaving the case dependent on company-specific earnings delivery.

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

Participation. 0.0% of the sector's 25 S&P 500 constituents outperformed over the latest month, and 8.0% are above their 50-day average. The median one-month excess return is -6.7%.

Earnings and market tension. Nucor's earnings provide context for metals' stronger six-month curve, while Dow's pricing-led recovery and Linde's modest volume growth show why Materials leadership remains selective. Zero positive one-month constituent breadth limits conviction in a broad recovery.

The principal allocation risk. A durable turn needs better volumes and stock participation alongside pricing. Falling realized prices or rising input costs would weaken the earnings case even if reported sales remain above last year.

Technical Outlook: Materials



Support and resistance. XLB faces initial resistance near 50.60 at the 200-day average, followed by 51.66 at the 50-day average. At 49.02, price remains below both trend measures.

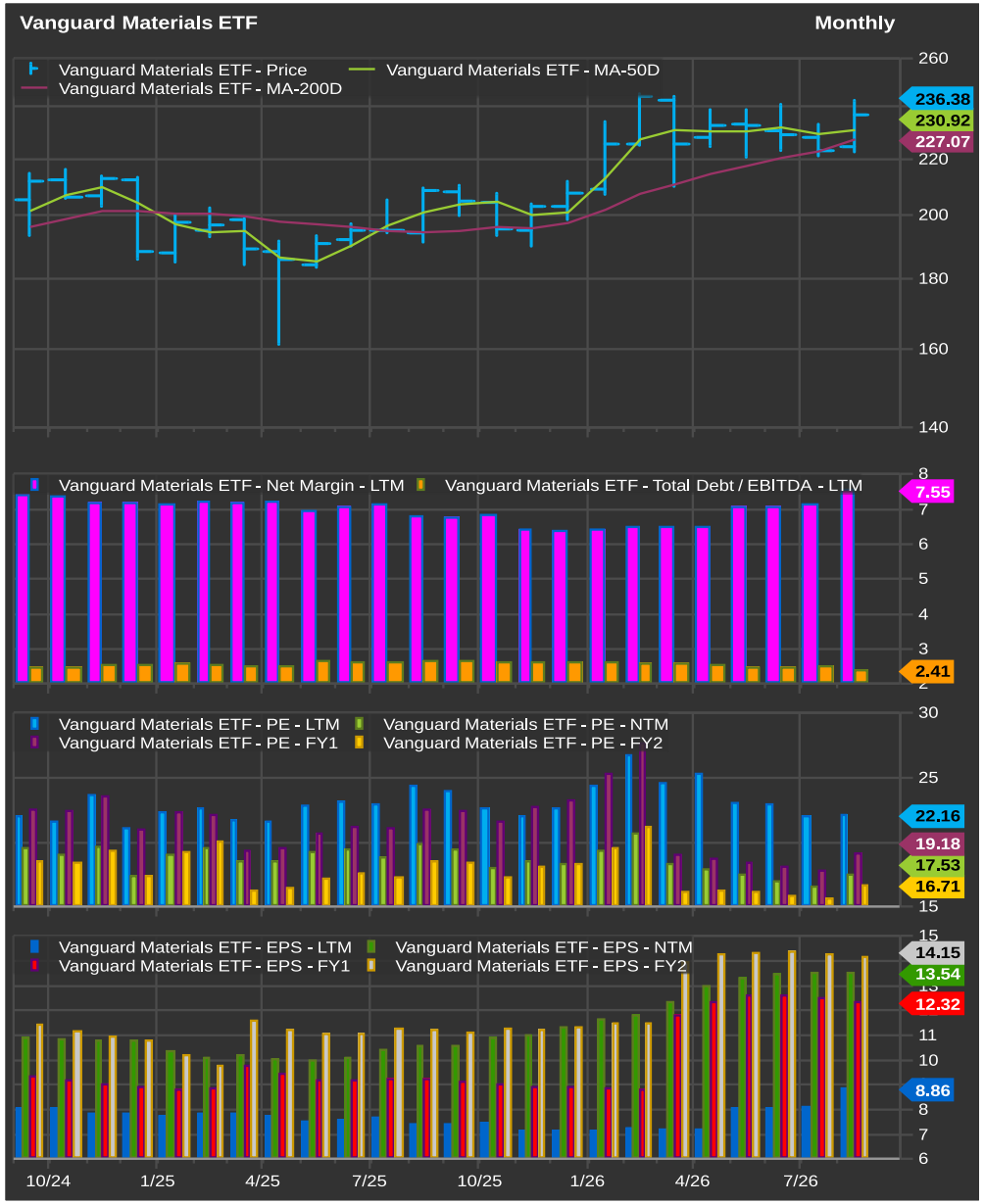
Momentum. RSI at 33.1 shows weak buying pressure. MACD is below its signal line, and remains below zero, showing that downside momentum still dominates.

Twelve-month relative trend. XLB has underperformed the S&P 500 by 4.11% 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. Nucor's September 17 guidance extended the earnings-recovery case for steel, following mixed July results elsewhere in Materials. The sector nevertheless remains below its moving averages. That divergence shows why stronger expected profits and price confirmation should be evaluated separately.

What price must confirm. The daily chart is XLB, while Elev8 allocates to VAW. XLB must recover resistance near 50.60 and then 51.66 to repair its trend. Those price levels do not apply to VAW.

Fundamentals: Materials



Profitability and balance sheet. The monthly VAW exhibit shows a trailing net margin of 7.55% and total debt / EBITDA of 2.41x. Margin direction and cash conversion will determine how much revenue growth reaches shareholders.

Valuation and estimates. Trailing P/E is 22.16x versus 17.53x on next-twelve-month earnings. FY1 and FY2 multiples are 19.18x and 16.71x. The lower forward multiple depends on forecast earnings becoming reported profits.

The earnings hurdle. NTM EPS of 13.54 is 52.8% above trailing EPS of 8.86. FY2 EPS of 14.15 is 14.9% above FY1 EPS of 12.32. These compare displayed earnings bases and are not next-quarter growth forecasts.

Reported EPS can include non-operating gains. Nucor's Q2 GAAP EPS of $5.04 included a $0.20 investment gain, leaving adjusted EPS of $4.84. Distinguishing those measures matters when comparing the chart's forward earnings with the current reported base. A one-time gain does not raise sustainable steel profitability.

Backlog adds visibility, not certainty. Linde reported an $11bn project backlog and full-year adjusted EPS guidance of $17.70–17.90. These provide a company-specific forward checkpoint. Project timing, capital costs and volume growth still determine how that visibility reaches recurring earnings and cash flow.

Stock Valuation: Materials

Selected constituents: relative P/E ascending

Stock	Rel. P/E	1M excess	50DMA dist.
NEM	**0.58x**	-8.9%	-7.0%
NUE	**0.65x**	-2.1%	-4.3%
CRH	**0.68x**	-12.4%	-8.9%
FCX	**1.00x**	-5.6%	-0.6%
APD	**1.00x**	-9.3%	-6.4%
LIN	**1.28x**	-3.0%	-0.9%
SHW	**1.31x**	-3.2%	-1.3%
ECL	**1.60x**	-1.8%	+0.5%

The table compares selected major franchises and relevant industry exposures.
NEM is the lowest-multiple name in this group at 0.58x the index NTM P/E.
The selection is illustrative and is not a lowest-P/E screen of the whole sector.

Valuation dispersion. NEM at 0.58x and ECL at 1.60x show the range across these franchises. Differences in growth, margins and earnings cyclicality matter when judging that spread.

Price confirmation. NEM has -8.9% one-month excess return and trades 7.0% below its 50-day average. The stock contributes positively to the model score. The low multiple requires an earnings case beyond recent price performance.

Earnings behind the multiple. Linde's contractual and project economics differ from commodity chemicals and steel. Lower multiples for cyclical producers can anticipate normalization of spreads. Compare each relative P/E with mid-cycle margins and capital needs before interpreting the table as a simple value ranking.

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: Materials



Six-month sector result. VAW has underperformed the S&P 500 by 17.14% over the previous six months. The result measures relative performance over April–September, separate from the twelve-month daily chart.

The strongest industry. The metals & mining group has outperformed the S&P 500 by 4.01% over the previous six months. Its positive relative result identifies a pocket of leadership within the sector.

The weakest industry. The construction materials group has underperformed the S&P 500 by 28.55% over the previous six months. The contrast with metals & mining argues for an industry-specific view of earnings and risk.

Other important curves. Containers & packaging underperformed by 12.50%, Chemicals underperformed by 20.86%, Construction materials underperformed by 28.55%, each over the previous six months.

Operating context for the dispersion. The metals curve has a stronger six-month outcome than the broader sector, consistent with selected steel earnings improvements. Chemicals face a different mix of product pricing and energy inputs. This operating distinction helps interpret the curves while the one-month breadth table shows whether leadership is spreading.

Industry Breadth: Materials

Sorted by outperforming share, then median excess return

Industry	Stocks	Beat BMK	>50DMA	Median ex.
Metals & Mining	4	**0.0%**	0.0%	-3.9%
Chemicals	12	**0.0%**	16.7%	-6.5%
Containers & Packaging	6	**0.0%**	0.0%	-6.6%
Construction Materials	3	**0.0%**	0.0%	-10.1%

Metals & Mining leads on the sorting measure with 0.0% positive breadth. Every industry has zero positive breadth, so median excess return determines the order.

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

Participation within the sector. 0.0% of constituents beat the benchmark, while the median stock underperformed by 6.7%. 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. Construction Materials 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 VAW. Breadth is a separate diagnostic and does not mechanically change the model allocation.

October Investment Themes: Materials

Earnings drivers and the conditions needed for stronger conviction

Linde: balanced growth, with a margin qualification. Linde's July 31 Q2 release reported 4% underlying sales growth, split between 2% pricing and 2% volume, and adjusted EPS of $4.50, up 10%. Adjusted operating margin was 29.5%, down 60 basis points. The results demonstrate earnings resilience without implying accelerating profitability across Materials.

Dow: recovery depends on pricing. Dow's July 23 Q2 release reported $12.1bn sales, up 20%, and $1.3bn operating EBIT. Volume declined 1% year over year. Stronger polyethylene pricing supported the recovery, making price retention and feedstock costs more informative than headline sales growth when assessing the chemicals industry.

Nucor: September guidance extends the recovery. Nucor's September 17 update forecast Q3 EPS of $5.55–5.65 versus $2.63 a year earlier. Management expected higher steel selling prices with stable volumes, partly offset by higher costs. This gives the stronger metals curve a current earnings basis, although weak stock participation still limits the broad sector conclusion.

The common investment risk. The countercase is that stronger prices are temporary. Dow's lower volume means nominal growth does not establish broad demand acceleration. A recovery that depends on pricing alone is more vulnerable to new capacity or lower competitor costs than one supported by sustained shipment growth.

Top 10 Stock Performers: Materials

Rolling one-month excess return, highest to lowest

Company	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
Packaging Corp. (PKG)	Containers & Packaging	Consolidation	**-1.5%**	0.95x	-5.9	0.62
Steel Dynamics (STLD)	Metals & Mining	Uptrend	**-1.6%**	0.61x	-3.0	1.44
Ecolab (ECL)	Chemicals	Consolidation	**-1.8%**	1.60x	-6.1	0.76
Intl. Flavors & Fragrances (IFF)	Chemicals	Bullish Reversal	**-1.8%**	1.17x	3.6	0.44
Nucor (NUE)	Metals & Mining	Bullish Reversal	**-2.1%**	0.65x	3.9	1.82
Avery Dennison (AVY)	Containers & Packaging	Downtrend	**-2.5%**	0.82x	-4.5	0.60
Linde (LIN)	Chemicals	Retracement	**-3.0%**	1.28x	-12.6	0.42
Sherwin-Williams (SHW)	Chemicals	Consolidation	**-3.2%**	1.31x	-7.9	1.03
Mosaic (MOS)	Chemicals	Downtrend	**-4.6%**	0.95x	-9.8	0.49
Freeport-McMoRan (FCX)	Metals & Mining	Bullish Reversal	**-5.6%**	1.00x	5.1	0.79

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

Leaders in context. PKG ranks first at -1.5% excess return. 0 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: Materials

Rolling one-month excess return, lowest to highest

Company	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
Albemarle (ALB)	Chemicals	Downtrend	**-21.3%**	0.54x	-30.7	1.34
Intl. Paper (IP)	Containers & Packaging	Downtrend	**-13.2%**	0.68x	-16.6	0.54
CRH (CRH)	Construction Materials	Retracement	**-12.4%**	0.68x	-26.3	1.35
Vulcan Materials (VMC)	Construction Materials	Retracement	**-10.1%**	1.25x	-21.2	0.98
Ball (BALL)	Containers & Packaging	Downtrend	**-9.9%**	0.67x	-13.8	0.64
Air Products and Chemicals (APD)	Chemicals	Downtrend	**-9.3%**	1.00x	-9.6	0.32
Newmont (NEM)	Metals & Mining	Bullish Reversal	**-8.9%**	0.58x	4.0	0.36
LyondellBasell Industries NV (LYB)	Chemicals	Downtrend	**-8.2%**	0.44x	-11.5	-0.31
CF Industries (CF)	Chemicals	Bullish Reversal	**-7.9%**	0.49x	-7.0	-0.20
Dow (DOW)	Chemicals	Downtrend	**-7.3%**	0.80x	-16.3	-0.27

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

Laggards in context. ALB has the weakest return at -21.3% excess return. 0 of these ten stocks outperformed the benchmark.

Model contribution. 2 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: Materials

Production data restrain the cyclical conclusion. August manufacturing output fell 0.3% month over month and rose 0.9% year over year. Manufacturing capacity utilization was 75.7%, 2.5 percentage points below its long-run average. Those levels support caution about assuming broad volume or pricing power, despite selected company recoveries.

Orders and output offer different signals. The August manufacturing PMI of 54.6 remained expansionary, although below July's 55.6. Improving survey conditions can precede production, but the output data have not yet shown comparable strength. That gap fits a near-benchmark VAW weight and a preference for businesses with demonstrated cash earnings.

Energy costs complicate pricing gains. August energy CPI rose 16.3% year over year. Although consumer prices are not chemical feedstock costs, the energy backdrop reinforces the need to test margin sensitivity. USTR's September recommendations remain prospective, so tariff savings should enter the outlook only when product coverage and implementation are clear.

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 decisive October question is whether production and shipment volumes validate the stronger survey signal. Better volumes with stable margins would challenge the cautious stance more than higher nominal revenue alone.

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**

VAW scores 0.

Balance of evidence. VAW has 3 positive and 3 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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Charts: Myrtle Tree Investment Research. Research cutoff: September 29, 2026.