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Monthly Insights: October Outlook
S&P 500

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ETFInsight Elev8 Model
Data and research through September 29, 2026

October Market & Sector Outlook: S&P 500

ETFInsight Elev8: October allocations

Rank / ETF	Score	BMK %	Elev8 %	Active pp
T1 VGT	5	38.71	42.47	+3.76
T1 VDE	5	3.45	6.98	+3.53
T1 VHT	5	9.67	12.92	+3.25
4 VFH	3	11.78	12.78	+0.99
T5 VAW	0	1.80	1.78	-0.02
T5 VIS	0	8.10	7.88	-0.23
T5 VOX	0	9.87	9.27	-0.59
9 VNQ	-3	1.71	0.00	-1.71
T10 VPU	-6	1.90	0.00	-1.90
8 VCR	-2	8.43	5.92	-2.50
T10 VDC	-6	4.58	0.00	-4.58

Sorted by active weight, highest to lowest. Technology, Energy and Health Care are the largest departures from the benchmark. Zero-weight sectors fund the overweights.

October setup. AI earnings remain the strongest support for equities, but breadth argues for selective exposure. Only 24.5% of the 503 S&P 500 constituents beat the benchmark over one month, and 22.9% are above their 50-day average.

Elev8 positioning. Technology carries 42.47%, a +3.76 percentage-point active weight. Energy is +3.53 pp and Health Care +3.25 pp. Financials adds +0.99 pp. Real Estate, Staples and Utilities have zero allocations.

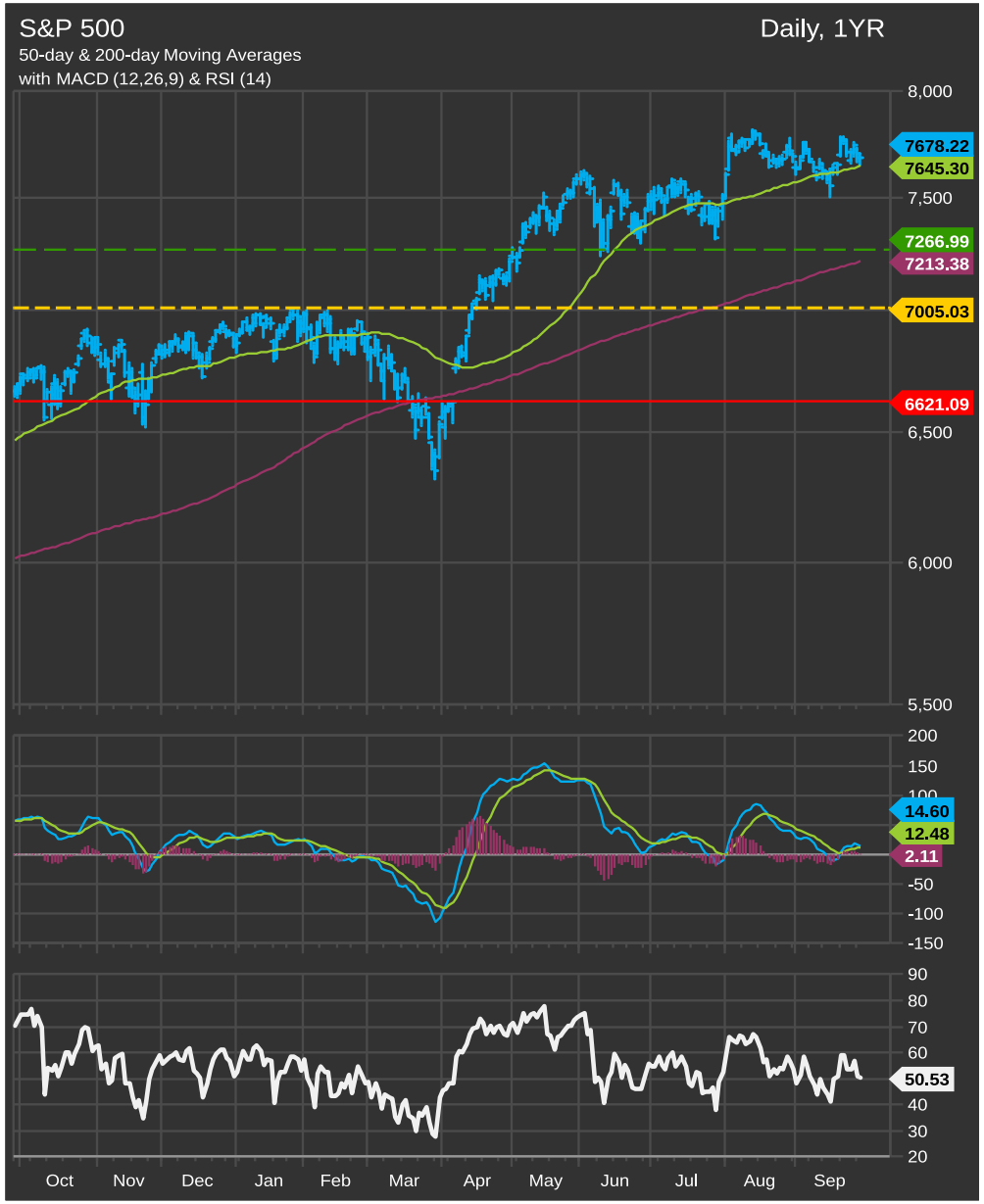
The earnings case is selective. AI suppliers and selected health-care franchises have delivered strong growth, while refiners benefit from favorable product margins. Consumer-facing companies show more mixed traffic and volume. The allocation favors these earnings pockets rather than a broad acceleration in household or industrial demand.

The main disagreement is Financials. Bank earnings and industry profitability remain constructive, yet the sector's stock participation is weak. The modest overweight is a position awaiting forward credit and funding confirmation, not evidence that the price trend has already improved.

Zero weights require a nuanced explanation. Property and utility companies can report better operating results while financing costs and weak technicals weigh on returns. Staples faces a separate test of organic growth and normalized margins. These are distinct reasons for caution, despite the same zero allocation.

October portfolio test. Broader earnings delivery and improving participation would strengthen the index outlook. A slowdown in AI orders or worsening credit would challenge the concentrated growth allocation. Research conclusions inform the assessment of Elev8 without recalculating its weights.

S&P 500 Technicals: Trend Intact, Momentum Neutral



The primary trend still holds. The S&P 500 holds initial support near 7,645 at its 50-day average, only 0.4% below the current 7,678 reading. The rising 200-day average provides longer-term support near 7,213. The uptrend remains intact, but the narrow cushion above initial support makes October earnings guidance important.

Momentum is balanced. RSI near 50 indicates balanced buying and selling pressure. MACD remains marginally bullish above its signal line, but the small positive spread shows limited upside momentum. The index is stabilizing after consolidation and has yet to recover the stronger momentum of the spring advance.

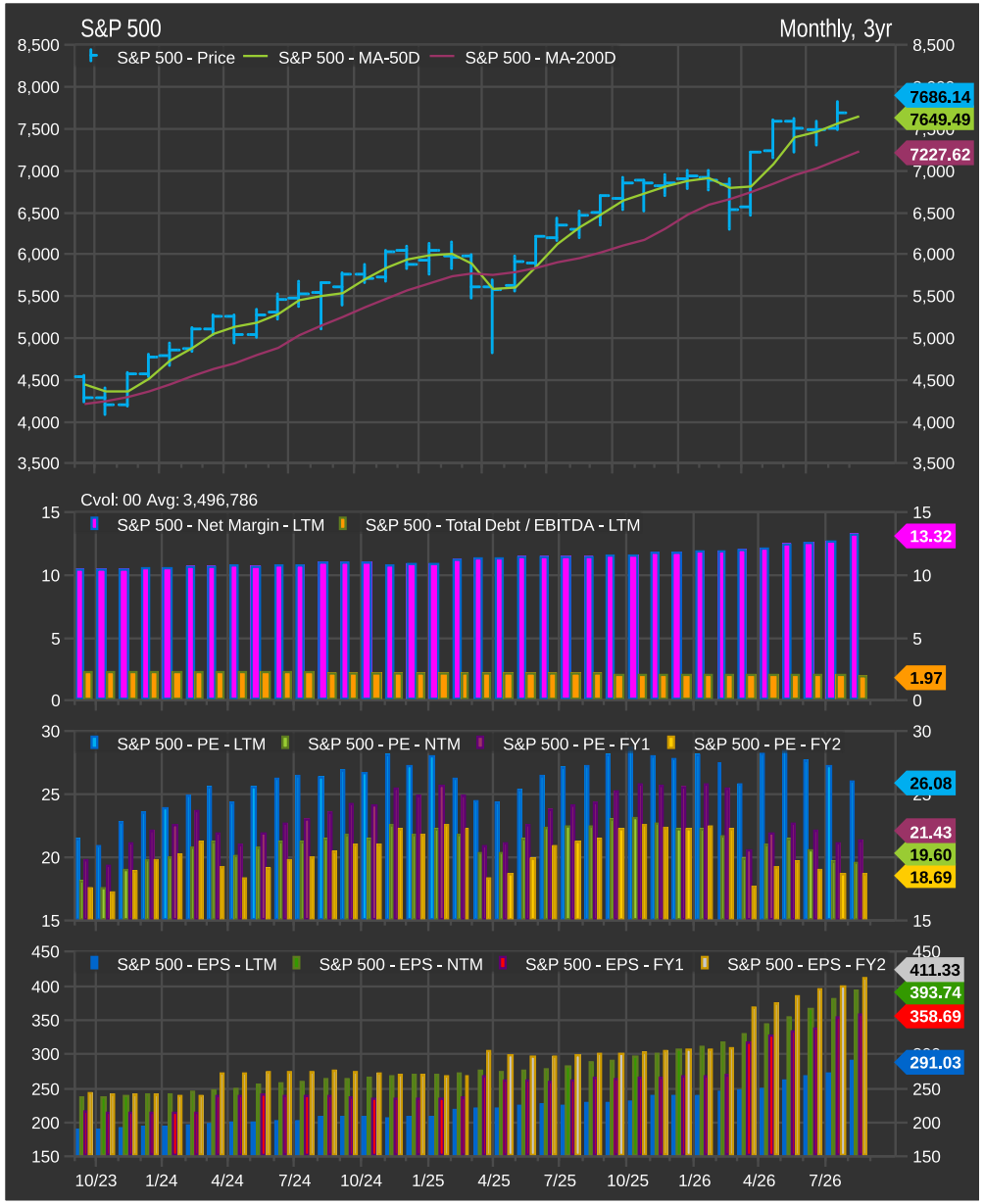
Breadth raises the burden on leaders. Only 22.9% of S&P 500 constituents are above their 50-day average. The index can hold its trend while most stocks struggle, but that leaves returns unusually dependent on the largest earnings contributors.

Developments during the consolidation. NVIDIA's late-August outlook and Broadcom's early-September results supported the AI earnings narrative, while the September 16 Fed hike raised the valuation hurdle. Those developments provide context for the chart's balance between trend support and limited momentum. They do not establish a causal attribution for individual daily moves.

October decision levels. Holding support near 7,645 would favor a test of resistance around the recent highs near 7,800. A sustained break would expose the next support area at 7,267–7,213. Below that zone, former breakout resistance near 7,005 becomes a deeper support test for the primary uptrend.

The confirmation test. A price breakout with broader participation would be stronger evidence than an index advance carried by a few large names. Conversely, a loss of intermediate support while earnings revisions weaken would signal that the market is discounting more than a temporary consolidation.

S&P 500 Fundamentals: Earnings Must Deliver



The earnings base is stronger. The S&P 500's trailing net margin has reached 13.32%, up from roughly 10% early in the three-year window. Total debt / EBITDA is 1.97x. Improving profitability and contained aggregate leverage support the longer equity uptrend.

Valuation embeds substantial delivery. Trailing P/E is 26.08x versus 19.60x next-twelve-month earnings. FY1 and FY2 multiples are 21.43x and 18.69x. The cheaper forward valuation depends on estimated profits becoming reported earnings.

Estimates leave less room for disappointment. NTM EPS of 393.74 is about 35% above trailing EPS of 291.03. FY2 EPS of 411.33 is about 15% above FY1 EPS of 358.69. These are comparisons between displayed earnings bases, not a forecast of next-quarter growth.

Reported earnings contain large non-operating items. Amazon's Q2 net income included a $53.4bn pretax investment gain, while Alphabet reported $98bn of other income, chiefly unrealized investment gains. These observations do not explain the entire index EPS series, but show why operating earnings deserve a separate check before extrapolating the trailing base.

Cash conversion qualifies the growth story. Amazon's trailing-twelve-month free cash flow was an outflow of $7.6bn. Meta's Q2 free cash flow fell to about $0.8bn from $8.5bn a year earlier. Infrastructure investment can absorb cash while revenues grow, making returns on capital central to the forward earnings case.

The valuation risk is denominator erosion. The gap between forward and trailing multiples provides protection only if estimated earnings materialize. October guidance should be judged on recurring profitability and cash generation, with exceptional gains and temporary policy benefits evaluated separately.

Fundamentals: S&P 500

Valuation and technical confirmation

Stock	Rel. P/E	1M excess	50DMA dist.
MU	**0.34x**	+13.2%	+7.6%
JPM	**0.70x**	-5.6%	-4.9%
XOM	**0.74x**	+4.0%	+0.4%
NVDA	**0.88x**	+5.6%	+3.4%
META	**1.11x**	+24.2%	+14.2%
AMZN	**1.14x**	-7.3%	-4.5%
MSFT	**1.28x**	-0.6%	+2.3%
LLY	**1.39x**	+1.1%	+0.6%

Lowest relative P/E first. MU and NVDA combine below-index multiples with positive relative returns. JPM shows why a low multiple alone is insufficient: price confirmation remains weak.
Low multiples can reflect cyclical peak earnings.

AI suppliers offer measurable earnings support. NVIDIA's August 26 release reported $96.2bn Q2 FY2027 revenue, up 106%, and guided Q3 to $108bn ±2%. Its 0.88x relative P/E therefore depends on the durability of a rapidly expanding earnings base. A low multiple can still be cyclical when customer spending is concentrated.

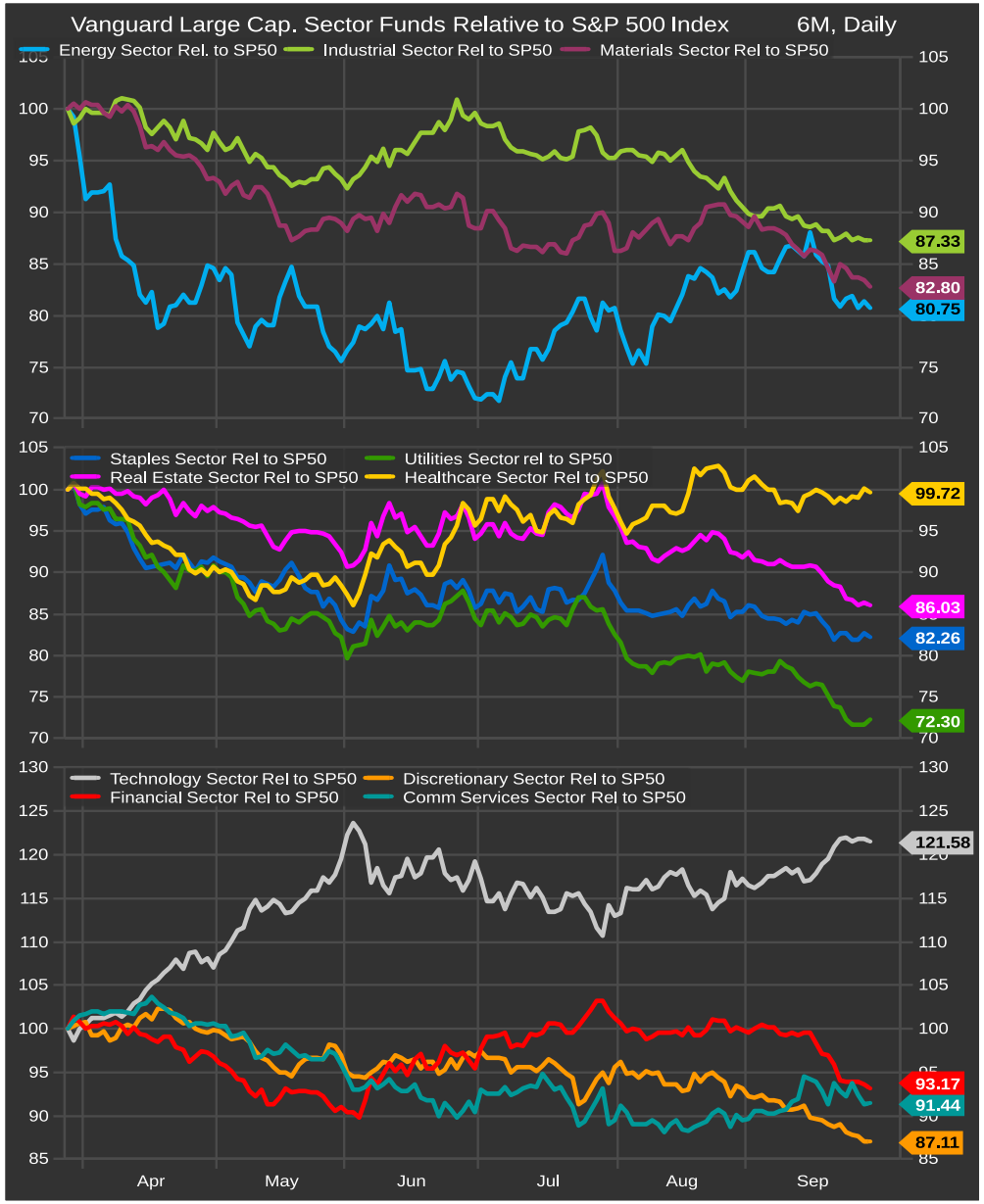
Memory needs a forward test. Micron's 0.34x relative P/E is the lowest in this group. Its June 24 Q4 revenue guidance was $50bn ±$1bn, with September 30 results pending at the cutoff. The discount should be tested against pricing, customer inventories and future capacity rather than treated as an automatic valuation opportunity.

Lilly has a different growth driver. Lilly's August 5 Q2 release reported 48% revenue growth and raised full-year revenue guidance to $85–87bn. At 1.39x the index multiple, the valuation requires sustained product demand and delivery. This offers a distinct earnings source alongside AI, with reimbursement and pricing as separate risks.

Banks require normalized earnings and credit analysis. JPMorgan's July 14 release showed $16.9bn Q2 net income excluding significant items and 10% net interest income growth. The earnings support contrasts with weak price confirmation. Its low relative multiple is more meaningful if credit costs and funding remain compatible with that earnings base.

Energy valuation depends on margins. ExxonMobil reported $23.6bn Q2 operating cash flow and $17.2bn free cash flow on July 31. Current cash generation supports the allocation rationale, but valuation should also use a less favorable commodity environment. The table deliberately pairs multiples with price confirmation rather than ranking value on P/E alone.

Sector Relative Trends: Leadership Remains Concentrated



Technology has clear confirmation. Technology has outperformed the S&P 500 by 21.58% over the previous six months, leading all eleven sectors. Renewed September strength, 59.5% one-month outperformance breadth among its S&P 500 constituents and positive model-score contributions from hardware stocks support VGT's +3.76 pp active weight.

Health Care has nearly closed its relative deficit. Health Care has underperformed by 0.28% over the previous six months. Pharmaceutical growth and improving medical-device results provide operating context for the recovery. VHT's +3.25 pp active weight also has stronger constituent participation than most defensive alternatives.

Energy has a meaningful internal split. Energy has underperformed by 19.25% over six months despite Elev8's +3.53 pp active weight. Valero's Q2 refining profit improved sharply while SLB's revenue excluding acquisitions fell 5%. Those results support refinery selectivity and caution against interpreting the allocation as broad industry confirmation.

Financials is a forward-expectations disagreement. Financials has underperformed by 6.83% over six months, with a sharp September decline. The FDIC's Q2 profile showed industry net income up 12% sequentially and a 3.32% net interest margin. Strong current operations and weak prices can coexist if investors expect future funding or credit pressure.

Excluded sectors have different operating risks. Utilities, Staples and Real Estate have underperformed by 27.70%, 17.74% and 13.97%, respectively, over six months. Financing sensitivity matters for property and utilities, while weak organic growth and normalization of profits matter for Staples. The same zero weight does not imply an identical earnings diagnosis.

Other underweights reflect incomplete participation. Communication Services, Discretionary, Industrials and Materials have underperformed by 8.56%, 12.89%, 12.67% and 17.20%, respectively, over six months. Digital advertising and power equipment offer operating exceptions, while consumer traffic and broad production remain more mixed.

Sector Technicals and October Positioning

Sorted by outperforming share, high to low: Technology leads, while most sector gains remain selective

Sector / ETF	Score	Beat BMK	>50DMA	Median ex.	Active pp	October interpretation
Information Technology (VGT)	5	**59.5%**	55.4%	+4.0%	+3.76	AI hardware leads. NVDA, MU and DELL combine positive relative returns with positive contributions to the model score. Software is less consistent.
Health Care (VHT)	5	**45.0%**	45.0%	-1.6%	+3.25	Second-best breadth. LLY growth supports the overweight. MRNA and ILMN also contribute positively to the model score.
Industrials (VIS)	0	**27.7%**	22.9%	-5.3%	-0.23	Bloom Energy strength does not offset broad weakness. Weight is close to BMK, with a small underweight.
Energy (VDE)	5	**23.8%**	23.8%	-3.3%	+3.53	Refiners VLO, MPC and PSX lead. Weak SLB/BKR momentum makes this a selective inflation exposure.
Consumer Staples (VDC)	-6	**18.2%**	15.2%	-5.3%	-4.58	Defensive revenues have not produced technical leadership. Monitor unit volumes, mix and promotional costs.
Consumer Discretionary (VCR)	-2	**17.0%**	19.1%	-7.4%	-2.50	Financing and affordability pressure remain. AMZN underperformed and sits below its 50-day average.
Communication Services (VOX)	0	**13.0%**	8.7%	-5.5%	-0.59	META rallied, but only 3 of 23 names outperformed. Model retains a small underweight despite AI upside.
Utilities (VPU)	-6	**6.5%**	3.2%	-6.4%	-1.90	Only 1 of 31 stocks is above its 50-day average. Power demand has yet to overcome financing and stock risk.
Financials (VFH)	3	**5.3%**	3.9%	-7.2%	+0.99	Only 4 of 76 stocks beat the benchmark. The modest overweight needs earnings and credit confirmation.
Real Estate (VNQ)	-3	**3.3%**	3.3%	-5.9%	-1.71	Only 1 of 30 names is above its 50-day average. Lower yields and better refinancing economics are key.
Materials (VAW)	0	**0.0%**	8.0%	-6.7%	-0.02	No constituent beat the benchmark. Lower input costs or trade relief must translate into orders and margins.

S&P 500 constituents. FactSet / MTIR, September 29, 2026. Rolling one-month excess returns.

October Theme Map: S&P 500

The key question is whether earnings and cash flow can justify the capital being committed

The investment cycle extends beyond accelerators. Broadcom's September 2 release forecast $21.7bn of Q4 AI semiconductor revenue. Eaton's July 31 report showed Electrical Americas rolling twelve-month orders up 41%, while GE Vernova's Q2 orders reached $24.2bn. This links AI spending to networking and power equipment. The exposures share customer and project-cycle risks, so they do not automatically diversify one another.

Household demand needs a traffic recovery. Home Depot's August 18 report showed comparable ticket growth of 2.8% but transactions down 1.0%. McDonald's August 4 report also described negative U.S. comparable guest counts. These company observations support the Discretionary underweight through purchase activity, while Amazon's cloud business remains a different demand engine within that sector.

Defensive sectors still contain operating opportunities. Prologis reported 95.5% period-end occupancy in Q2, and NextEra's July release showed a 35.1GW renewables and storage backlog. P&G, by contrast, reported flat fiscal Q4 organic sales. The model's exclusions therefore cover both financing-sensitive growth and businesses with limited operating momentum. Stock selection should preserve those distinctions.

Digital growth must become durable shareholder returns. Alphabet's July 22 release showed 17% Search revenue growth and 82% Cloud growth. Meta's enterprise launch adds a prospective commercial channel. Those opportunities favor franchises with clear monetization, while competition, depreciation and capital requirements determine whether faster revenue ultimately improves returns on invested capital.

Trade relief remains a conditional margin opportunity. USTR's September 27 recommendations contemplated favorable treatment for $30bn of goods in each direction. Importers and exporters could benefit, but product coverage and implementation must precede an earnings adjustment. Walmart's tariff-refund benefit also illustrates why policy-related gains need separation from recurring operating improvement.

Top 10 Stock Performers: S&P 500

1M excess return, high to low: hardware leaders contribute positively to the model score.

Company	Sector	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
Moderna (MRNA)	HLTH	Biotech	Uptrend	**+43.2%**	N/A	162.6	0.62
Everpure (P)	TECH	Hardware	Uptrend	**+38.8%**	1.81x	72.4	1.90
Skyworks (SWKS)	TECH	Semis	Bullish rev.	**+33.4%**	0.92x	30.7	1.79
AMD (AMD)	TECH	Semis	Uptrend	**+30.8%**	2.29x	51.1	3.23
Intel (INTC)	TECH	Semis	Bullish rev.	**+29.9%**	3.05x	31.4	3.56
Illumina (ILMN)	HLTH	Life sciences	Bullish rev.	**+26.4%**	2.39x	54.5	1.38
Bloom Energy (BE)	IND	Electrical equip.	Uptrend	**+25.0%**	3.12x	22.5	6.12
Meta (META)	COMM	Interactive media	Bullish rev.	**+24.2%**	1.11x	22.9	1.56
HPE (HPE)	TECH	Hardware	Uptrend	**+20.3%**	0.72x	53.8	1.67
Dell (DELL)	TECH	Hardware	Uptrend	**+19.4%**	0.96x	60.8	1.75

S&P 500 constituents. FactSet / MTIR, September 29, 2026. Rolling one-month excess returns.

Hardware takes the lead. Six of the top ten are Technology stocks, led by storage and semiconductors. AMD, INTC, HPE and DELL contribute positively to the model score, supporting the VGT overweight.

Model support extends across the leaders. All ten stocks contribute positively to the model score. SWKS, INTC, ILMN and META show bullish reversals. MRNA, Everpure and Bloom join the uptrends, broadening confirmation beyond the largest AI suppliers.

Risk discipline. The top ten's median excess return is +28.2%. MRNA's +43.2% is an outlier. AMD, INTC and BE have betas above 3, so recent leadership can reverse sharply.

Bottom 10 Stock Performers: S&P 500

1M excess return, low to high: nine of the ten laggards contribute negatively to the model score.

Company	Sector	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
Gen Digital (GEN)	TECH	Software	Downtrend	**-32.5%**	0.35x	-20.6	1.75
Axon (AXON)	IND	Aerospace / defense	Retracement	**-29.0%**	2.24x	-19.9	1.50
PG&E (PCG)	UTIL	Electric utilities	Downtrend	**-27.7%**	0.35x	-36.5	-0.20
Charter (CHTR)	COMM	Media	Downtrend	**-27.2%**	0.14x	-33.0	-0.18
Fair Isaac (FICO)	TECH	Software	Downtrend	**-26.8%**	0.84x	-32.5	1.53
Edison (EIX)	UTIL	Electric utilities	Downtrend	**-26.4%**	0.42x	-35.2	0.00
Equifax (EFX)	IND	Prof. services	Downtrend	**-24.5%**	0.78x	-20.8	1.25
Intuit (INTU)	TECH	Software	Downtrend	**-24.5%**	0.59x	-20.4	0.52
DoorDash (DASH)	COND	Leisure	Bullish rev.	**-24.4%**	2.22x	-10.9	1.59
MGM Resorts (MGM)	COND	Leisure	Downtrend	**-24.4%**	0.86x	-34.0	1.19

S&P 500 constituents. FactSet / MTIR, September 29, 2026. Rolling one-month excess returns.

Weakness is widespread. Software, utilities, consumer services and credit-related businesses populate the bottom ten. The median excess return is -26.6%, consistent with poor market breadth.

Cheapness needs evidence. CHTR at 0.14x and PCG at 0.35x the index multiple contribute negatively to the model score. Low relative multiples alone do not establish a turn in fundamentals or price structure.

DASH is the exception. Nine of the ten contribute negatively to the model score. DASH contributes positively and retains a bullish reversal despite a -24.4% excess return. A durable recovery requires improving relative strength and earnings execution.

Economic & Policy Drivers: October Pivots

Policy and inflation constrain multiple expansion. The September 16 hike raised the target range to 3.75–4.00%. August CPI rose 3.4% year over year, with energy up 16.3%. The combination supports caution on refinancing-sensitive assets and means a lower forward P/E still needs real earnings delivery.

Employment is growing, with uneven participation. BLS reported 162,000 additional August payroll jobs and 4.1% unemployment. Average hourly earnings rose 3.1% year over year. The aggregate labor market provides a demand buffer, although pay growth below headline inflation suggests limited room for households to absorb additional essential costs.

Confidence weakened at the research cutoff. The September 29 Conference Board release showed confidence down 6.7 points to 81.9, with expectations at 63.6. This raises the burden on consumer earnings guidance. Sentiment is an early indicator, and company transaction data remain the more direct test of actual spending behavior.

Housing remains sensitive to financing. Freddie Mac's September 24 mortgage rate was 7.03%. Expensive financing affects turnover and financed purchases, while some rental businesses may benefit from the ownership hurdle. The implications differ across builders, retailers and landlords rather than creating a uniform sector signal.

Production data show a selective expansion. August manufacturing output fell 0.3% month over month and rose 0.9% year over year. Utility output rose 6.2% year over year. The divergence supports equipment and power-demand opportunities without establishing a broad manufacturing boom.

Labor demand has not collapsed. The September 29 JOLTS release reported about 7.1m August job openings and 5.2m hires, both little changed. These data temper the weaker confidence signal. A sharper hiring deterioration would create a more direct risk to credit and consumer demand.

October releases test different parts of the case. Payrolls on October 2 test employment. CPI on October 14 and retail sales on October 15 test prices and demand. The October 27–28 FOMC meeting and October 29 GDP/PCE releases then update the policy and growth context.

The key scenario is earnings breadth. Stable employment with easing inflation could help the underweights without harming growth leaders. Alternatively, weaker demand and persistent inflation would threaten margins while keeping financing costly. Company guidance and market participation will distinguish those paths.

Elev8 Model Components

Elev8 component scores

ETF	Pattern	Mean	Wtd.	OB/OS	Sector	Ind.	Eq.Up	Rt.Up	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**

Model conviction. Highest total score first, with ties ordered by active weight. Technology, Energy and Health Care lead. Weak scores in Staples and Utilities support their exclusions. The strongest readings support the core overweights in the Elev8 portfolio.

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