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Monthly Insights: October Outlook

Consumer Staples

Patrick Torbert, CMT
Editor & Chief Strategist

ETFInsight Elev8 Model
Data and research through September 29, 2026

October Outlook: Consumer Staples

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

VDC carries 0.00% of the portfolio versus 4.58% in BMK. The zero allocation is -4.58 percentage points.

October setup. Defensive revenues have not translated into sector leadership. Elev8's zero weight reflects weak model scores and participation, even as selected retailers demonstrate improving digital economics.

Elev8 conviction. The total score is -6, placing VDC tied for rank 10 among 11 sectors. The zero allocation reflects the eight model inputs and the October allocation.

Participation. 18.2% of the sector's 33 S&P 500 constituents outperformed over the latest month, and 15.2% are above their 50-day average. The median one-month excess return is -5.3%.

Earnings and market tension. P&G's flat organic sales and PepsiCo's margin decline help explain why essential demand has not produced sector leadership. Walmart's digital growth offers an exception, but its tariff benefit needs normalization. These mixed fundamentals are consistent with VDC's zero allocation.

The principal allocation risk. Reconsider the sector case when organic growth and recurring margins improve alongside breadth. A rebound based mainly on currency, acquisitions or tariff refunds would be less persuasive.

Technical Outlook: Consumer Staples



Support and resistance. VDC faces initial resistance near 228.02 at the 200-day average, followed by 228.81 at the 50-day average. At 221.31, price remains below both trend measures.

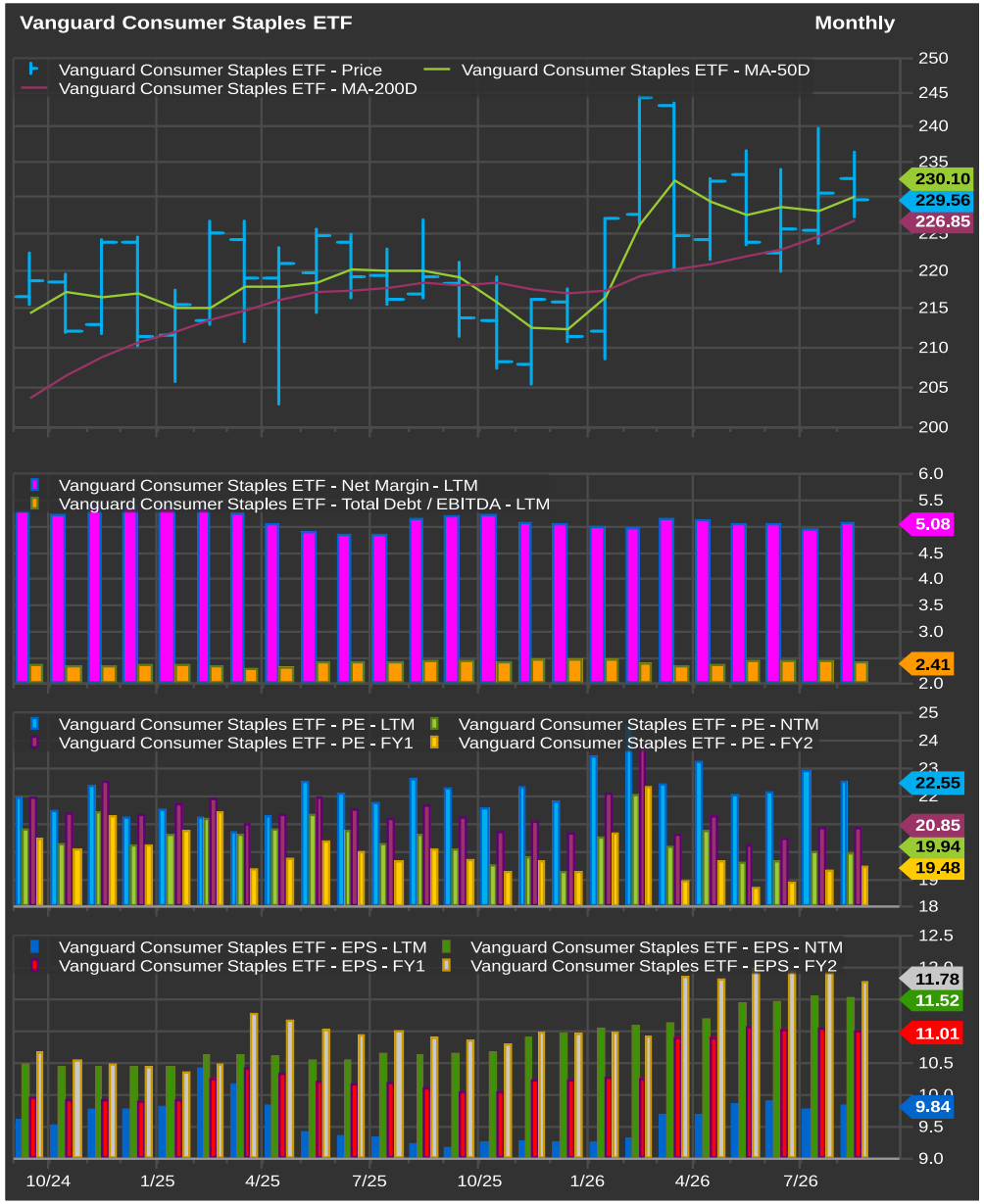
Momentum. RSI at 37.8 shows weak buying pressure. MACD is below its signal line, and remains below zero, showing that downside momentum still dominates.

Twelve-month relative trend. VDC has underperformed the S&P 500 by 9.06% 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. Summer earnings showed uneven organic growth, and the sector continued to lag into September. The price action is consistent with investors demanding more than stable nominal revenue. Recovery through the moving averages would be more meaningful if it coincides with better volume and recurring-margin guidance.

What price must confirm. VDC needs to recover resistance near 228.02–228.81 at its moving averages. Positive relative returns in a few stocks are insufficient while most constituents remain below their 50-day average.

Fundamentals: Consumer Staples



Profitability and balance sheet. The monthly VDC exhibit shows a trailing net margin of 5.08% 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 22.55x versus 19.94x on next-twelve-month earnings. FY1 and FY2 multiples are 20.85x and 19.48x. The lower forward multiple depends on forecast earnings becoming reported profits.

The earnings hurdle. NTM EPS of 11.52 is 17.1% above trailing EPS of 9.84. FY2 EPS of 11.78 is 7.0% above FY1 EPS of 11.01. These compare displayed earnings bases and are not next-quarter growth forecasts.

Tariff refunds inflate the reported improvement. Walmart's Q2 adjusted operating-income growth in constant currency included a 750-basis-point net benefit from tariff refunds. That adjustment is material to the earnings-quality assessment. The forward sector multiple should not assume that a temporary refund repeats as an operating growth driver.

GAAP profit growth can overstate the operating turn. PepsiCo's Q2 GAAP EPS rose 137%, compared with 4% core EPS growth. Prior-year impairment charges materially affected the comparison. Normalized earnings and the direction of core margins are therefore more useful than the headline growth rate when judging the earnings base.

Stock Valuation: Consumer Staples

Selected constituents: relative P/E ascending

Stock	Rel. P/E	1M excess	50DMA dist.
PEP	**0.76x**	-7.7%	-6.3%
MDLZ	**0.95x**	-3.2%	-3.2%
PG	**1.09x**	+3.9%	+2.4%
CL	**1.11x**	-4.4%	-3.0%
PM	**1.12x**	+1.2%	+2.4%
KO	**1.30x**	-1.9%	-1.6%
WMT	**1.81x**	+5.7%	+0.6%
COST	**2.08x**	-2.1%	-0.6%

The table compares selected major franchises and relevant industry exposures.
PEP is the lowest-multiple name in this group at 0.76x the index NTM P/E.
The selection is illustrative and is not a lowest-P/E screen of the whole sector.

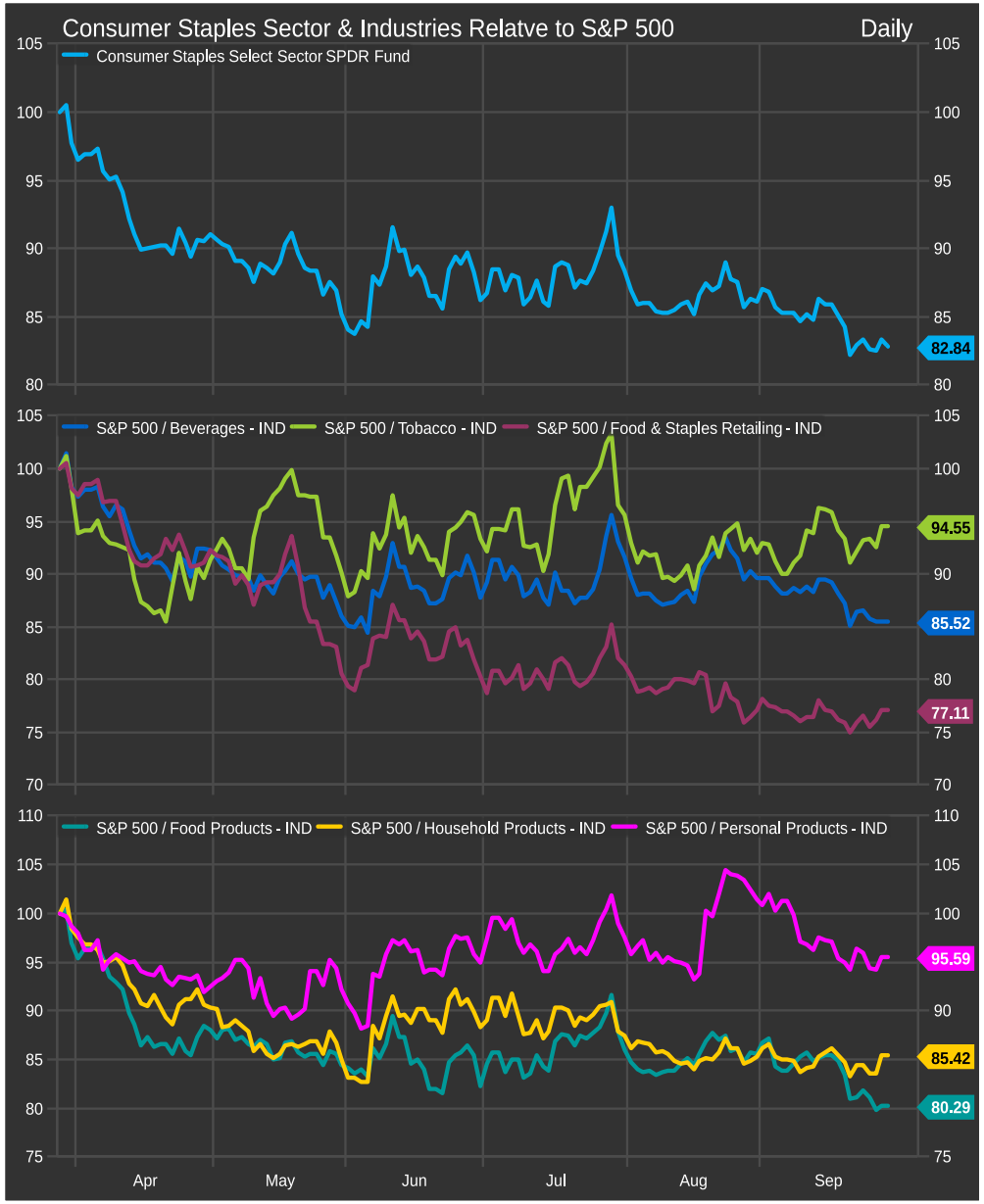
Valuation dispersion. PEP at 0.76x and COST at 2.08x show the range across these franchises. Differences in growth, margins and earnings cyclicality matter when judging that spread.

Price confirmation. PEP has -7.7% one-month excess return and trades 6.3% 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. Retailers with membership or advertising income and branded-product suppliers have different profit structures. WMT's growth and PG's flat organic sales help explain why similar defensive labels can command different multiples. The valuation table should be tested against normalized margins rather than temporary policy or accounting benefits.

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 Staples



Six-month sector result. XLP has underperformed the S&P 500 by 17.16% over the previous six months. This exhibit uses XLP, while Elev8 allocates to VDC. The result measures relative performance over April–September, separate from the twelve-month daily chart.

The strongest industry. The personal products group has underperformed the S&P 500 by 4.41% 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 food & staples retail group has underperformed the S&P 500 by 22.89% over the previous six months. The contrast with personal products argues for an industry-specific view of earnings and risk.

Other important curves. Tobacco underperformed by 5.45%, Beverages underperformed by 14.48%, Household products underperformed by 14.58%, each over the previous six months.

Operating context for the dispersion. Every industry curve remains below its starting relative level, even though operating outcomes differ. Walmart's e-commerce growth is a retail exception, while P&G's organic stagnation illustrates supplier challenges. The gap between business pockets and broad price weakness limits the case for sector-wide defensive exposure.

Industry Breadth: Consumer Staples

Sorted by outperforming share, then median excess return

Industry	Stocks	Beat BMK	>50DMA	Median ex.
Tobacco	2	**100.0%**	100.0%	+1.9%
Staples distribution	8	**37.5%**	25.0%	-2.4%
Household Products	5	**20.0%**	20.0%	-5.3%
Beverages	6	**0.0%**	0.0%	-5.5%
Personal Care Products	2	**0.0%**	0.0%	-6.2%
Food Products	10	**0.0%**	0.0%	-7.0%

Tobacco 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. 18.2% 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. Food Products 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 zero allocation in VDC. Breadth is a separate diagnostic and does not mechanically change the model allocation.

October Investment Themes: Consumer Staples

Earnings drivers and the conditions needed for stronger conviction

Walmart: retail growth has a normalization issue. Walmart's August 20 Q2 FY2027 release reported 5.9% revenue growth, 23% global e-commerce growth and 2.6% U.S. comparable-sales growth. Advertising and membership income offer profit sources beyond store merchandise. The next test is whether those businesses improve recurring margins after fulfillment costs and customer reinvestment.

P&G: stable demand has not delivered growth. P&G's July 29 fiscal Q4 release reported $21.2bn sales, up 2%, but organic sales were flat and core EPS fell 3%. The gap illustrates why defensive product categories can still disappoint earnings expectations. Improved organic demand and profitability would provide stronger grounds for a sector recovery than nominal revenue alone.

PepsiCo: underlying growth is slower than reported growth. PepsiCo's July 9 Q2 release reported 6.4% revenue growth, including 2.4% organic growth, a 2.2-percentage-point currency benefit and 1.8 points from portfolio changes. Core operating margin fell 40 basis points to 16.8%. These adjustments matter when evaluating the apparent acceleration in reported earnings.

The common investment risk. Affordability initiatives can protect volume while reducing price realization. PepsiCo's North American convenient-food net revenue declined as effective pricing fell, despite volume-share gains. That is a useful warning that better unit demand need not immediately improve margins or stock returns.

Top 10 Stock Performers: Consumer Staples

Rolling one-month excess return, highest to lowest

Company	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
Walmart (WMT)	Staples distribution	Retracement	**+5.7%**	1.81x	-10.0	0.40
Procter & Gamble (PG)	Household Products	Consolidation	**+3.9%**	1.09x	-3.9	0.40
Kroger (KR)	Staples distribution	Consolidation	**+3.7%**	0.57x	-7.0	-0.21
Altria (MO)	Tobacco	Consolidation	**+2.6%**	0.61x	-6.8	0.29
Dollar General (DG)	Staples distribution	Downtrend	**+1.5%**	0.79x	-2.5	0.38
Philip Morris Intl. (PM)	Tobacco	Bullish Reversal	**+1.2%**	1.12x	1.2	0.15
Archer-Daniels-Midland (ADM)	Food Products	Bullish Reversal	**-1.2%**	0.73x	-1.8	0.50
Keurig Dr Pepper (KDP)	Beverages	Bullish Reversal	**-1.3%**	0.66x	-5.3	0.31
Coca-Cola (KO)	Beverages	Bullish Reversal	**-1.9%**	1.30x	-0.8	0.17
Costco Wholesale (COST)	Staples distribution	Consolidation	**-2.1%**	2.08x	-9.9	0.57

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

Leaders in context. WMT leads at +5.7% excess return. 6 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 Staples

Rolling one-month excess return, lowest to highest

Company	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
Clorox (CLX)	Household Products	Downtrend	**-20.3%**	0.72x	-24.2	0.76
Casey's General Stores (CASY)	Staples distribution	Retracement	**-19.5%**	1.41x	-26.5	0.09
General Mills (GIS)	Food Products	Downtrend	**-18.9%**	0.56x	-15.8	0.14
Constellation Brands (STZ)	Beverages	Downtrend	**-13.3%**	0.49x	-26.6	0.21
McCormick (MKC)	Food Products	Downtrend	**-12.2%**	0.77x	-13.8	0.54
Monster Beverage (MNST)	Beverages	Bullish Reversal	**-10.4%**	1.70x	-13.0	0.64
Dollar Tree (DLTR)	Staples distribution	Consolidation	**-9.3%**	0.76x	-10.9	0.62
J.M. Smucker (SJM)	Food Products	Bullish Reversal	**-8.6%**	0.57x	-0.7	0.40
Kimberly-Clark (KMB)	Household Products	Downtrend	**-8.5%**	0.69x	-13.0	0.32
Hershey (HSY)	Food Products	Downtrend	**-7.9%**	0.89x	-17.1	-0.01

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

Laggards in context. CLX has the weakest return at -20.3% 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: Consumer Staples

Inflation keeps affordability relevant. August food-at-home prices rose 2.2% year over year versus 3.4% for food away from home. Grocery inflation remains below restaurant inflation, but household budgets also face a 16.3% rise in energy prices. The backdrop can encourage value-seeking behavior without guaranteeing margin improvement for branded suppliers.

Weak confidence supports caution on mix. September consumer confidence fell to 81.9 from 88.6. P&G's flat organic sales and PepsiCo's modest organic growth provide company evidence of a more demanding environment. Promotions and affordable pack sizes may protect demand while limiting price realization.

Temporary cost relief needs careful treatment. Walmart's tariff-refund benefit demonstrates how policy can improve reported profits without establishing a repeatable growth rate. September 27 trade recommendations remain proposals until implemented. The September rate hike also increases valuation competition from income alternatives, adding to the burden on earnings execution.

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 October case needs organic demand and recurring-margin improvement together. A sales rebound driven mainly by currency or acquisitions would offer less evidence that the underlying sector trend has turned.

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**

VDC scores -6.

Balance of evidence. VDC has 0 positive and 6 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.