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Monthly Insights: October Outlook

Utilities

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ETFInsight Elev8 Model
Data and research through September 29, 2026

October Outlook: Utilities

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**

VPU carries 0.00% of the portfolio versus 1.90% in BMK. The zero allocation is -1.90 percentage points.

October setup. Growing power demand has not overcome financing pressure and weak market participation. Elev8's zero weight remains consistent with the downtrend, while regulatory recovery and funding discipline determine the fundamental opportunity.

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

Participation. 6.5% of the sector's 31 S&P 500 constituents outperformed over the latest month, and 3.2% are above their 50-day average. The median one-month excess return is -6.4%.

Earnings and market tension. Duke, NextEra and Constellation show earnings growth even as every industry curve underperforms over six months. The evidence challenges a simple demand-collapse interpretation. VPU's zero weight instead aligns with weak technicals and the risk that funding costs limit shareholder returns.

The principal allocation risk. A stronger case requires earnings growth after financing, credible project returns and broader price repair. Falling yields would help, but demand growth alone has not produced sustained relative leadership.

Technical Outlook: Utilities



Support and resistance. VPU faces initial resistance near 186.05 at the 50-day average, followed by 192.67 at the 200-day average. At 171.94, price remains below both trend measures.

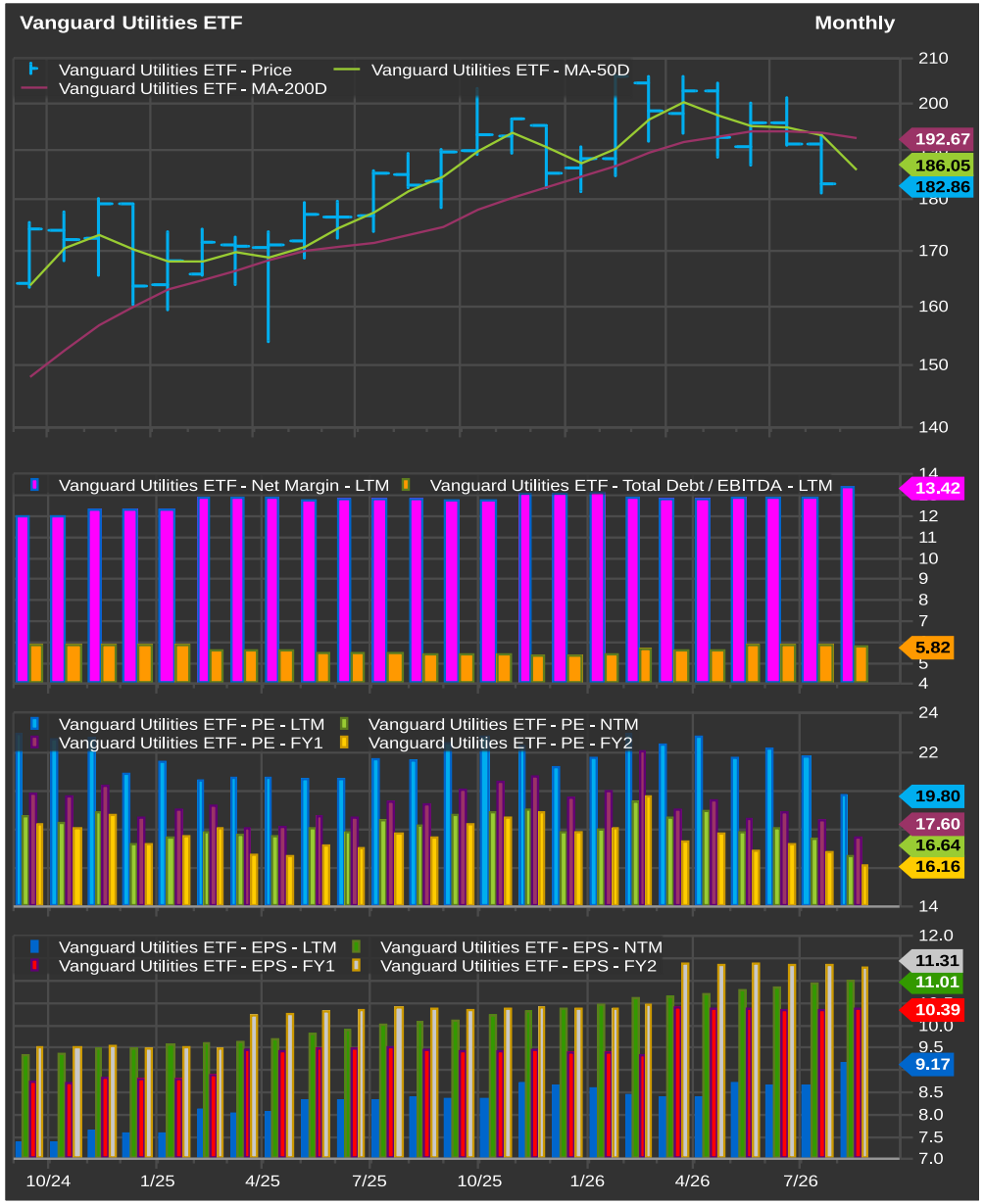
Momentum. RSI at 28.8 signals oversold conditions, which can support a rebound without establishing a durable floor. MACD is below its signal line, and remains below zero, showing that downside momentum still dominates.

Twelve-month relative trend. VPU has underperformed the S&P 500 by 19.83% 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 summer company releases showed earnings growth, but the sector remained weak into the September policy hike. This divergence makes financing and valuation credible context for the downtrend. RSI can identify stretched selling, while recovery through resistance is needed to show that investors are reassessing the outlook.

What price must confirm. VPU remains below resistance near 186.05 at the 50-day average and 192.67 at the 200-day average. An oversold bounce needs follow-through before the zero-weight position loses technical support.

Fundamentals: Utilities



Profitability and balance sheet. The monthly VPU exhibit shows a trailing net margin of 13.42% and total debt / EBITDA of 5.82x. Capital intensity leaves earnings sensitive to financing costs and investment recovery.

Valuation and estimates. Trailing P/E is 19.80x versus 16.64x on next-twelve-month earnings. FY1 and FY2 multiples are 17.60x and 16.16x. The lower forward multiple depends on forecast earnings becoming reported profits.

The earnings hurdle. NTM EPS of 11.01 is 20.1% above trailing EPS of 9.17. FY2 EPS of 11.31 is 8.9% above FY1 EPS of 10.39. These compare displayed earnings bases and are not next-quarter growth forecasts.

Adjusted and reported earnings differ. Constellation reported Q2 GAAP EPS of $1.42 versus adjusted operating EPS of $2.55. The difference reinforces the need for consistent earnings definitions when comparing sector valuation with individual generators. A lower forward multiple is informative only if the expected earnings are recurring.

The funding burden remains visible. Duke's results identified interest and depreciation as offsets to infrastructure recovery. With sector debt / EBITDA at 5.82x in the chart, the relevant question is earnings growth after financing costs. Capital investment can expand the asset base faster than per-share profits if recovery or funding terms disappoint.

Stock Valuation: Utilities

Selected constituents: relative P/E ascending

Stock	Rel. P/E	1M excess	50DMA dist.
SRE	**0.73x**	-7.8%	-7.7%
VST	**0.74x**	+1.1%	-3.1%
D	**0.83x**	-6.8%	-7.8%
DUK	**0.83x**	-5.4%	-5.3%
SO	**0.88x**	-6.4%	-6.6%
AEP	**0.91x**	-3.1%	-3.6%
NEE	**0.91x**	-7.5%	-8.4%
CEG	**1.04x**	-5.6%	-5.5%

The table compares selected major franchises and relevant industry exposures.
SRE is the lowest-multiple name in this group at 0.73x the index NTM P/E.
The selection is illustrative and is not a lowest-P/E screen of the whole sector.

Valuation dispersion. SRE at 0.73x and CEG at 1.04x show the range across these franchises. Differences in growth, margins and earnings cyclicality matter when judging that spread.

Price confirmation. SRE has -7.8% one-month excess return and trades 7.7% 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. Regulated utilities deserve analysis of allowed returns and funding, while CEG and other generators have more exposure to contract and power-market economics. The relative-P/E spread partly reflects those differences. Compare recurring earnings and capital requirements before assuming the lowest multiple offers the best protection.

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: Utilities



Six-month sector result. VPU has underperformed the S&P 500 by 27.61% over the previous six months. The result measures relative performance over April–September, separate from the twelve-month daily chart.

The strongest industry. The water utilities group has underperformed the S&P 500 by 21.91% 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 electric utilities group has underperformed the S&P 500 by 29.63% over the previous six months. The contrast with water utilities argues for an industry-specific view of earnings and risk.

Other important curves. Independent power underperformed by 23.98%, Multi-utilities underperformed by 27.52%, Gas utilities underperformed by 28.94%, each over the previous six months.

Operating context for the dispersion. All five industry curves underperformed over six months, despite different operating models. NextEra's development backlog and Constellation's stronger earnings show that weak prices do not establish weak electricity demand. Financing, expected returns and starting valuations remain plausible explanations for the common pressure.

Industry Breadth: Utilities

Sorted by outperforming share, then median excess return

Industry	Stocks	Beat BMK	>50DMA	Median ex.
Independent power	2	**100.0%**	50.0%	+1.2%
Gas Utilities	1	**0.0%**	0.0%	-5.5%
Water Utilities	1	**0.0%**	0.0%	-6.5%
Multi-Utilities	10	**0.0%**	0.0%	-6.6%
Electric Utilities	17	**0.0%**	0.0%	-6.8%

Independent power 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. 6.5% of constituents beat the benchmark, while the median stock underperformed by 6.4%. 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. Electric Utilities 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 VPU. Breadth is a separate diagnostic and does not mechanically change the model allocation.

October Investment Themes: Utilities

Earnings drivers and the conditions needed for stronger conviction

Duke: cost recovery supports earnings. Duke's August 4 Q2 release reported adjusted EPS of $1.43 versus $1.25 a year earlier and reaffirmed full-year guidance of $6.55–6.80. Infrastructure investment recovery helped, while depreciation and interest costs offset part of the gain. This shows how regulation and financing mediate the benefit from capital spending.

NextEra: development demand remains substantial. NextEra's July 24 Q2 release reported adjusted EPS of $1.15 versus $1.05 a year earlier. It added 3.6GW to its renewables and storage backlog, which reached 35.1GW after 1.1GW entered service. Backlog growth supports opportunity, but projects still need financing, construction and satisfactory returns.

Constellation: generation earnings are improving. Constellation's August 6 Q2 release reported adjusted operating EPS of $2.55 versus $1.91 a year earlier. The result provides a company-level counterpoint to weak independent-power relative performance. Merchant generation and regulated utilities have different earnings exposures, so their investment cases require separate analysis.

The common investment risk. Capacity commitments do not guarantee attractive shareholder returns. The critical issues are customer contracts, project costs and financing terms. Duke's regulated recovery, NextEra's development pipeline and Constellation's generation earnings illustrate three different paths from electricity demand to equity value.

Top 10 Stock Performers: Utilities

Rolling one-month excess return, highest to lowest

Company	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
AES (AES)	Independent power	Consolidation	**+1.2%**	0.32x	-3.2	0.71
Vistra (VST)	Independent power	Retracement	**+1.1%**	0.74x	-16.2	1.87
American Electric Power (AEP)	Electric Utilities	Retracement	**-3.1%**	0.91x	-16.2	0.22
Evergy (EVRG)	Electric Utilities	Consolidation	**-3.1%**	0.90x	-13.0	0.33
NiSource (NI)	Multi-Utilities	Retracement	**-3.4%**	0.92x	-20.3	0.30
Consolidated Edison (ED)	Multi-Utilities	Retracement	**-4.1%**	0.83x	-12.9	-0.32
WEC Energy (WEC)	Multi-Utilities	Retracement	**-4.2%**	0.89x	-16.8	0.08
PPL (PPL)	Electric Utilities	Retracement	**-5.1%**	0.80x	-17.1	0.14
Ameren (AEE)	Multi-Utilities	Retracement	**-5.4%**	0.90x	-17.4	0.18
Duke Energy (DUK)	Electric Utilities	Retracement	**-5.4%**	0.83x	-16.0	-0.04

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

Leaders in context. AES leads at +1.2% excess return. 2 of these ten stocks outperformed the benchmark. A top-ten rank can still represent a relative loss.

Model contribution. 0 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: Utilities

Rolling one-month excess return, lowest to highest

Company	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
PG&E (PCG)	Electric Utilities	Downtrend	**-27.7%**	0.35x	-36.5	-0.20
Edison Intl. (EIX)	Electric Utilities	Downtrend	**-26.4%**	0.42x	-35.2	0.00
NRG Energy (NRG)	Electric Utilities	Retracement	**-12.4%**	0.48x	-34.6	1.15
DTE Energy (DTE)	Multi-Utilities	Downtrend	**-10.0%**	0.77x	-23.1	0.22
Eversource Energy (ES)	Electric Utilities	Downtrend	**-9.4%**	0.68x	-16.7	0.65
Xcel Energy (XEL)	Electric Utilities	Retracement	**-8.2%**	0.81x	-18.5	0.17
CMS Energy (CMS)	Multi-Utilities	Retracement	**-8.0%**	0.79x	-22.3	-0.04
Sempra (SRE)	Multi-Utilities	Consolidation	**-7.8%**	0.73x	-21.6	0.28
Public Service Enterprise (PEG)	Multi-Utilities	Retracement	**-7.7%**	0.75x	-21.8	0.35
NextEra Energy (NEE)	Electric Utilities	Downtrend	**-7.5%**	0.91x	-19.2	0.43

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

Laggards in context. PCG has the weakest return at -27.7% 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: Utilities

Power demand has current economic evidence. The Fed's September 18 release showed utility output up 1.8% in August and 6.2% year over year. EIA's September outlook also projected record annual electricity demand. These observations support investment needs, although weather affects near-term output and does not by itself establish structural load growth.

Funding costs can absorb operating gains. The September policy hike increases financing pressure on a sector with 5.82x debt / EBITDA in the fundamentals chart. Duke's results explicitly identified interest and depreciation offsets. Growth in utility assets therefore needs to translate into earnings after financing and any equity dilution.

Affordability constrains the regulatory response. August electricity CPI rose 3.8% year over year and household natural-gas prices rose 4.4%. Higher customer bills can complicate the timing of cost recovery, although outcomes depend on individual jurisdictions. Allowed returns and load commitments matter more than aggregate demand growth 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. A better October outlook needs credible returns after funding costs and more constructive price participation. Rising electricity use alone would not resolve the sector's valuation and capital-intensity risks.

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**

VPU scores -6.

Balance of evidence. VPU has 1 positive and 7 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.