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Monthly Insights: November Outlook

Communication Services

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ETFInsight Elev8 Model
Model and constituent update: October 30, 2026

Communication Services: Cash Demands Reinforce the Exclusion

November Elev8 allocations • active weight descending

Rank / ETF	Score	BMK %	Elev8 %	Active pp
1 VDE	6	3.80	10.00	+6.19
2 VHT	4	10.33	16.16	+5.83
T3 VGT	3	37.15	40.14	+2.99
T3 VFH	3	12.29	14.41	+2.12
5 VDC	-1	4.88	6.22	+1.34
T6 VPU	-2	2.05	2.99	+0.94
T6 VNQ	-2	1.77	2.26	+0.49
T6 VIS	-2	8.07	7.83	-0.24
T6 VAW	-2	1.91	0.00	-1.91
10 VCR	-3	8.87	0.00	-8.87
11 VOX	-6	8.88	0.00	-8.88

VOX: 0.00% portfolio weight versus 8.88% benchmark; active weight -8.88 pp. Score -6, rank 11. The table places this sector's exposure in the full portfolio context.

The model exits the sector. VOX falls from 9.27% in October to zero for November. Its −6 score is the lowest of the eleven sectors, and its 8.88-percentage-point underweight is the largest in the portfolio.

Alphabet adds a new funding concern. Q3 Google Cloud revenue more than doubled, yet Alphabet spent more on property and equipment than it generated from operations. Strong demand and weaker free cash flow can coexist, making the cost of growth central to the outlook.

The price problem extends beyond the platforms. Nine of 22 constituents now outperform over one month, but only four trade above their 50-day averages. The improvement is too limited to describe the sector as a broad recovery.

The next useful evidence is cash and participation. Improving cash generation across platforms and networks, accompanied by more stocks recovering above trend, would challenge the exclusion. A brief rebound after the selloff would provide less evidence.

Communication Services Technicals: A Breakdown Needs Repair



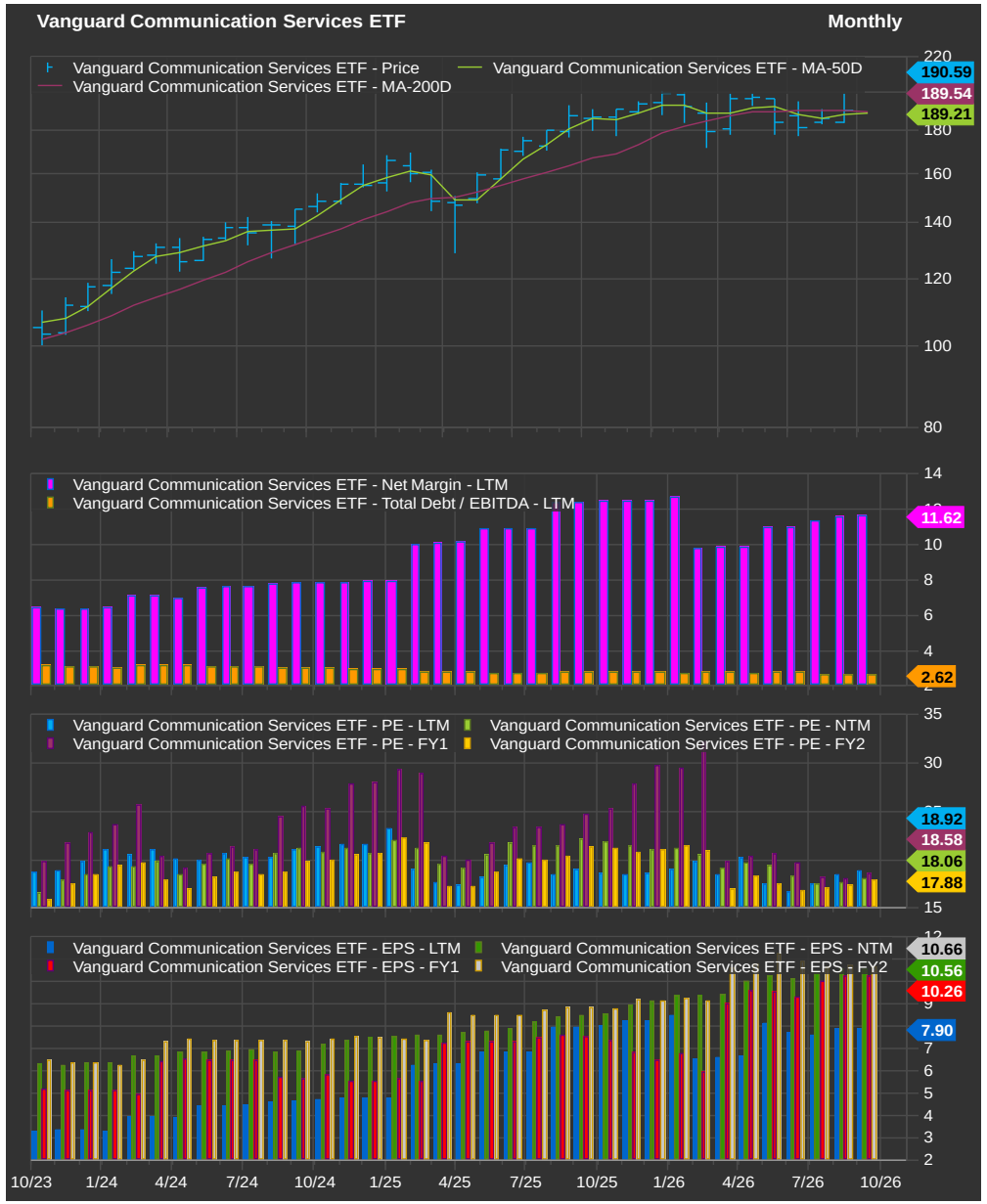
Former support has become resistance. In the chart through October 29, VOX at 174.02 is well below its 50-day and 200-day averages. The 189.21–189.54 area now presents a substantial resistance band; reclaiming it would require more than a brief oversold bounce.

The March low is the nearby reference. The earlier trough around 172–174 is being retested. Holding that approximate area would give the sector a base; a sustained break would extend the sequence of lower recovery highs.

Momentum remains weak. RSI near 25 indicates an oversold market, while MACD remains below its signal line. Oversold conditions can produce sharp rallies without repairing the underlying trend.

The latest earnings reaction adds pressure. Alphabet fell more than 12% in the October 29 session. That reaction reinforces the need for sustained price repair. The chart's twelve-month curve shows sector underperformance of 18.72%, leaving a large relative deficit.

Communication Services Fundamentals: Follow the Cash



The aggregate remains profitable. The monthly exhibit ends with an 11.62% trailing net margin and debt / EBITDA of 2.62x. Those averages span capital-intensive networks and asset-light platforms, so they conceal very different reinvestment requirements.

Forward earnings carry the valuation. Trailing P/E of 18.92x falls to 18.06x on next-twelve-month estimates. NTM EPS of 10.56 exceeds trailing EPS of 7.90; FY2 EPS of 10.66 is only modestly above FY1's 10.26. The estimate horizons tell different stories.

Alphabet exposes the investment burden. Its October 28 release shows $42.29bn of quarterly operating cash flow against $51.36bn of property and equipment purchases. The resulting $9.07bn free-cash-flow deficit matters even with strong cloud growth.

Funding quality matters alongside valuation. Alphabet also issued $12.4bn of common shares and $28.7bn of senior notes during Q3. A modest forward P/E cannot by itself establish that growth will improve cash available per share.

Communication Services Valuation: Earnings Quality and Price Confirmation

Selected constituents • relative P/E ascending

Stock	Rel. P/E	1M excess	50DMA dist.
CMCSA	**0.34x**	+4.0%	-5.1%
T	**0.44x**	-14.2%	-14.4%
VZ	**0.44x**	-4.1%	-7.4%
TMUS	**0.58x**	-10.3%	-12.1%
DIS	**0.78x**	+4.5%	+3.4%
NFLX	**0.89x**	-12.4%	-15.0%
GOOGL	**0.95x**	-17.5%	-16.6%
META	**1.00x**	-16.2%	-6.8%

Relative P/E, low to high. Compare each discount or premium with its one-month excess return and position against the 50-day average.

Cheap networks still require execution. Verizon and Comcast sit toward the low end of the relative-P/E comparison. Infrastructure spending, subscriber competition and slower-growth businesses make these different propositions from premium digital platforms.

Comcast's comparison needs adjustment. Q3 revenue fell 6.1% as reported, but grew 0.5% on a pro forma basis after the Versant and Sky Germany disposals. A low multiple should be assessed against the remaining business, rather than an unadjusted revenue decline.

Premium growth needs cash support. Meta's valuation cannot be judged on advertising growth alone when investment absorbs operating cash. For the higher-multiple companies, a durable premium requires both recurring earnings and confidence in future cash generation.

Valuation and price confirmation differ. CMCSA trades at 0.34x the index's P/E and 5.1% below its 50-day average. DIS trades at 0.78x and 3.4% above its 50-day average. The comparison helps distinguish a lower price from a better-supported earnings opportunity.

Communication Services Relative Trends: Weakness Is Broad



The sector has lost substantial ground. VOX has underperformed the S&P 500 by 17.35% over the six months from May through October. None of the five displayed industries has outperformed over that window.

Media and wireless are the deepest laggards. Media has underperformed by 32.77% and wireless telecom by 31.30%. The divergence from individual subscriber or streaming improvements suggests investors want a broader recovery in earnings quality.

Digital advertising is not immune. Interactive media and services has underperformed by 21.81%, while entertainment has lagged by 20.10%. Meta's Q3 ad impressions rose 10% and pricing rose 14%; strong monetization has coexisted with weak relative prices.

Network cash flow offers a different test. Diversified telecom has underperformed by 19.74%. Verizon's Q3 free cash flow rose 12.1% to $7.8bn. Sustained cash growth could support recovery, but it has not yet reversed the six-month industry deficit.

Communication Services Breadth: October 30 Constituent Update

Outperforming share descending • one-month returns

Industry	Stocks	Beat BMK	>50DMA	Median ex.
Media	9	**66.7%**	22.2%	+1.8%
Entertainment	5	**40.0%**	40.0%	-0.04%
Diversified Telecom	3	**33.3%**	0.0%	-4.1%
Wireless Telecom	1	**0.0%**	0.0%	-10.3%
Interactive Media & Services	4	**0.0%**	0.0%	-16.6%

Outperforming share, high to low. Median sector excess return is -3.18% over one month. Recovery remains fragile.

Current participation. 9 of 22 constituents with valid one-month returns beat the benchmark. 4 of 22 trade above their 50-day averages.

Recovery remains fragile. The broadening is concentrated in media and entertainment. Platforms and networks still need stronger price confirmation.

Portfolio implication. A sustainable recovery needs more than a handful of stocks reclaiming trend. The latest counts leave the zero allocation consistent with weak sector participation.

Communication Services Themes: Growth Requires External Funding

Company evidence and the conditions for sustained returns

Cloud growth no longer settles the investment case. Alphabet's Q3 cloud revenue rose 103% to $30.7bn. Investors must weigh that growth against heavier capital commitments and the resulting cash deficit.

Advertising has a different cost burden. Meta's Q3 revenue rose 26% to $64.6bn, while capital investment including finance-lease principal reached $34.91bn. Strong monetization does not remove the need to earn returns on the infrastructure build-out.

Networks offer a different cash profile. Verizon's Q3 free cash flow rose 12.1% to $7.8bn. Its operating improvement shows why the sector deserves company-level scrutiny even when the model excludes the whole ETF.

The zero weight has a clear test. A more constructive stance would need cash generation to improve alongside broader stock recovery. Fast growth funded by repeated capital raising leaves a higher hurdle for returns to existing shareholders.

Top 10 Stock Performers: Communication Services

Rolling one-month excess return • highest to lowest

Company	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
Omnicom Group (OMC)	Media	Consolidation	**+8.5%**	0.38x	-0.9	0.61
EchoStar A (ECHO)	Media	Support	**+7.9%**	0.78x	2.2	0.97
Walt Disney (DIS)	Entertainment	Consolidation	**+4.5%**	0.78x	5.1	1.59
Comcast A (CMCSA)	Diversified Telecom	Downtrend	**+4.0%**	0.34x	-10.4	0.22
Live Nation Entertainment (LYV)	Entertainment	Consolidation	**+3.2%**	6.51x	-2.3	1.14
News A (NWSA)	Media	Consolidation	**+2.5%**	1.12x	-0.1	0.87
Fox A (FOXA)	Media	Consolidation	**+2.5%**	0.58x	1.6	0.61
Fox B (FOX)	Media	Consolidation	**+1.8%**	0.51x	0.8	0.64
News B (NWS)	Media	Consolidation	**+1.4%**	1.23x	-3.4	0.87
TKO Group Holdings A (TKO)	Entertainment	Retracement	**-0.04%**	1.72x	-7.1	0.25

S&P 500 Communication Services constituents • FactSet / MTIR • October 30, 2026

Selection evidence. OMC, ECHO and DIS lead. Nine stocks show positive monthly excess returns, with TKO just below zero. The list captures a limited media-led recovery while the large platforms remain under pressure.

Model context. 0 of these ten stocks contribute positively and 10 negatively to the model score. Recent returns and model classifications need not agree.

Bottom 10 Stock Performers: Communication Services

Rolling one-month excess return • lowest to highest

Company	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
Skydance B (SKYD)	Media	Downtrend	**-21.6%**	0.89x	-15.8	1.56
Alphabet A (GOOGL)	Interactive Media & Services	Uptrend	**-17.5%**	0.95x	-21.5	1.28
AppLovin Corp. A (APP)	Media	Retracement	**-17.3%**	0.71x	-36.5	3.36
Alphabet C (GOOG)	Interactive Media & Services	Retracement	**-17.0%**	0.95x	-21.4	1.25
Meta Platforms A (META)	Interactive Media & Services	Bullish Reversal	**-16.2%**	1.00x	-7.5	1.56
AT&T (T)	Diversified Telecom	Support	**-14.2%**	0.44x	-18.0	-0.11
Netflix (NFLX)	Entertainment	Support	**-12.4%**	0.89x	-22.8	0.81
Reddit A (RDDT)	Interactive Media & Services	Support	**-11.6%**	1.01x	-24.2	2.05
T-Mobile US (TMUS)	Wireless Telecom	Support	**-10.3%**	0.58x	-21.9	0.14
Take-Two Interactive Software (TTWO)	Entertainment	Support	**-5.3%**	1.16x	-19.1	0.75

S&P 500 Communication Services constituents • FactSet / MTIR • October 30, 2026

Selection evidence. GOOGL and GOOG join the weakest returns alongside SKYD, APP and META. The concentration of large digital franchises makes this weakness more important to the ETF than a simple count of recovering stocks.

Model context. 2 of these ten stocks contribute positively and 8 negatively to the model score. Recent returns and model classifications need not agree.

Communication Services: Demand, Rates and Consumer Budgets

Consumer purchasing power is the pressure point. September real disposable income fell 0.3%, while real consumer spending increased less than 0.1%, in BEA's October 29 release. Subscriptions and discretionary digital purchases face a tighter household budget even when nominal activity remains firm.

Pricing is uneven. September communication prices fell 0.2% after a 2.3% August rise, according to the October 14 CPI release. One month of lower prices does not establish a trend, but it underscores the risk of assuming effortless pricing power.

Policy offers no immediate valuation relief. The Fed held its target range at 3.75%–4.00% on October 28. Long-duration platform earnings and indebted network operators remain exposed to financing and discount-rate pressure.

November checkpoints. The November 6 jobs report and November 10 CPI release will test household resilience and pricing. October income and outlays, scheduled for November 25, will help distinguish nominal spending growth from genuine consumption demand.

Elev8 Components: Communication Services

Total score descending • ties ordered by active weight

ETF	Pat.	Mean	Wtd.	OB/OS	Sector	Ind.	Cmdty Up	USD Up	Total
VDE	1	1	1	0	2	1	1	-1	**6**
VHT	1	1	1	0	2	1	-1	-1	**4**
VGT	1	1	1	0	1	0	-1	0	**3**
VFH	0	1	1	0	0	0	0	1	**3**
VDC	0	-1	-1	0	0	0	1	0	**-1**
VPU	0	-1	-1	0	0	0	1	-1	**-2**
VNQ	0	-1	-1	0	0	0	1	-1	**-2**
VIS	0	-1	1	0	-1	-1	1	-1	**-2**
VAW	0	-1	-1	0	0	0	1	-1	**-2**
VCR	0	-1	-1	0	0	-1	-1	1	**-3**
VOX	-1	-1	-1	1	-1	-1	-1	-1	**-6**

VOX total: -6 | Elev8 weight: 0.00% | Active weight: -8.88 pp. The score grid highlights the signals supporting or challenging this sector's November position.

Current signal balance. Positive inputs: OB/OS +1. Negative inputs: Pattern -1, Mean -1, Weighted -1, Sector -1, Industry -1, Commodity-up -1, USD-up -1.

Allocation significance. Oversold conditions remain the sole positive component. Funding discipline and broad price repair would provide stronger evidence than a rebound confined to a few depressed platforms.

Comparison with October. November scores use eight components, with commodity and dollar trend inputs replacing October's equity and rates inputs. Total-score changes from October are therefore not strictly comparable. The displayed weights are the November model allocations.

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