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Monthly Insights: November Outlook

Materials

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

Materials: Excluded Despite Improving Short-Term Breadth

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

VAW: 0.00% portfolio weight versus 1.91% benchmark; active weight -1.91 pp. Score -2, rank T6. The table places this sector's exposure in the full portfolio context.

The model removes the position. VAW falls from 1.78% in October to zero for November. The −2 score ties sixth, but the model assigns no weight, leaving a 1.91-percentage-point underweight.

A tied score does not determine the allocation. Utilities, Real Estate and Industrials also score −2 and retain positions. The explicit weights establish the Materials exclusion. The score alone does not explain the allocation among those tied sectors.

The rebound is a real opportunity cost. Eighteen of 24 constituents outperform and 18 trade above their 50-day averages. Chemicals and construction materials have improved, even as the three-month sector relative curve remains weak.

The fundamental hurdle is margin durability. Higher energy costs pressure several materials businesses, while weak housing permits limit confidence in construction demand. Stronger shipments and cash margins would offer a more persuasive challenge to zero exposure.

Materials Technicals: A Recovery Between Two Averages



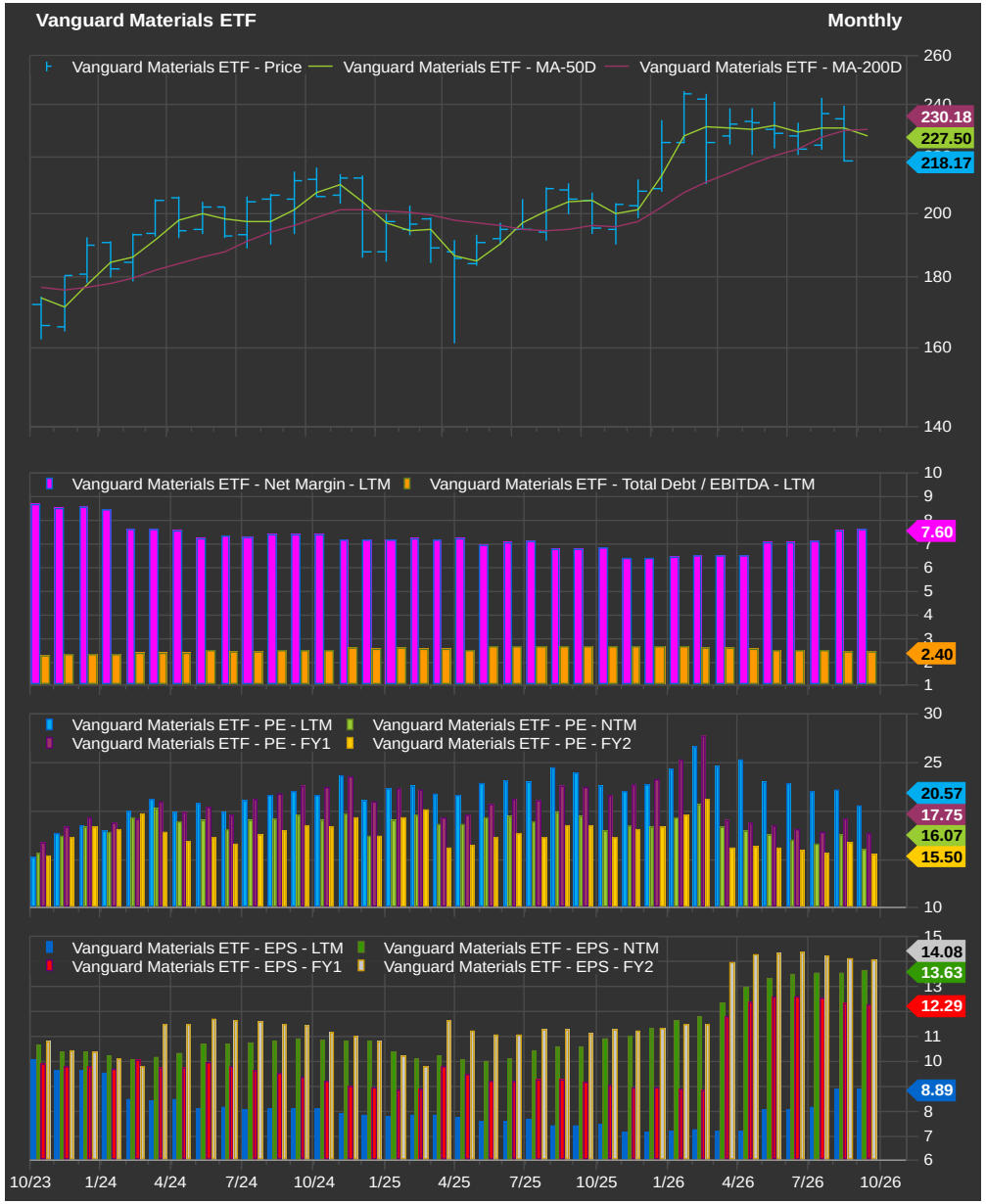
Initial support has been recovered. In the chart through October 29, VAW at 229.41 holds just above its 50-day average near 227.50. Maintaining that level would preserve the recovery from the recent low.

Longer-term resistance is immediately ahead. The 200-day average near 230.18 is the next hurdle. A sustained move above it would improve the trend; failure would keep the approximate 218–220 recent support area relevant.

Momentum favors the repair attempt. RSI near 61 and MACD above its signal line indicate improving buying pressure. The proximity of resistance means follow-through matters more than the indicator readings alone.

Operating results support, but do not settle, the case. Nucor's October 26 Q3 report showed EPS of $5.80 versus $2.63 a year earlier. The daily curve shows 3.32% outperformance over the previous twelve months, while the shorter industry exhibit remains weaker. Different starting points explain the contrast.

Materials Fundamentals: Forward Earnings Need Volume and Margin



The aggregate remains cyclical. The monthly chart shows a 7.60% trailing net margin and debt / EBITDA of 2.40x. Energy costs, product pricing and utilization can each move that margin substantially.

Estimates carry a meaningful recovery. Trailing P/E of 20.57x compares with 16.07x on NTM earnings. NTM EPS of 13.63 is above trailing EPS of 8.89; FY2 EPS of 14.08 compares with FY1's 12.29.

Adjusted earnings require a clean bridge. Linde's October 29 Q3 release reported GAAP EPS down 11% to $3.66, while adjusted EPS rose 9% to $4.59. Cost-reduction charges and purchase-accounting adjustments materially affect that comparison.

Cash helps assess the underlying result. Linde generated $3.17bn of operating cash flow against $1.39bn of capital expenditure in Q3. The cash result supports its franchise, while the sector's lower forward multiple still depends on broader earnings delivery.

Materials Valuation: Earnings Quality and Price Confirmation

Selected constituents • relative P/E ascending

Stock	Rel. P/E	1M excess	50DMA dist.
NEM	**0.60x**	-5.2%	-7.7%
NUE	**0.70x**	+16.1%	+8.6%
CRH	**0.79x**	+6.5%	+3.9%
FCX	**0.86x**	-7.1%	-7.9%
APD	**1.14x**	+11.7%	+6.1%
SHW	**1.35x**	-0.8%	+0.2%
LIN	**1.39x**	+5.6%	+4.2%
ECL	**1.74x**	+7.6%	+6.9%

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

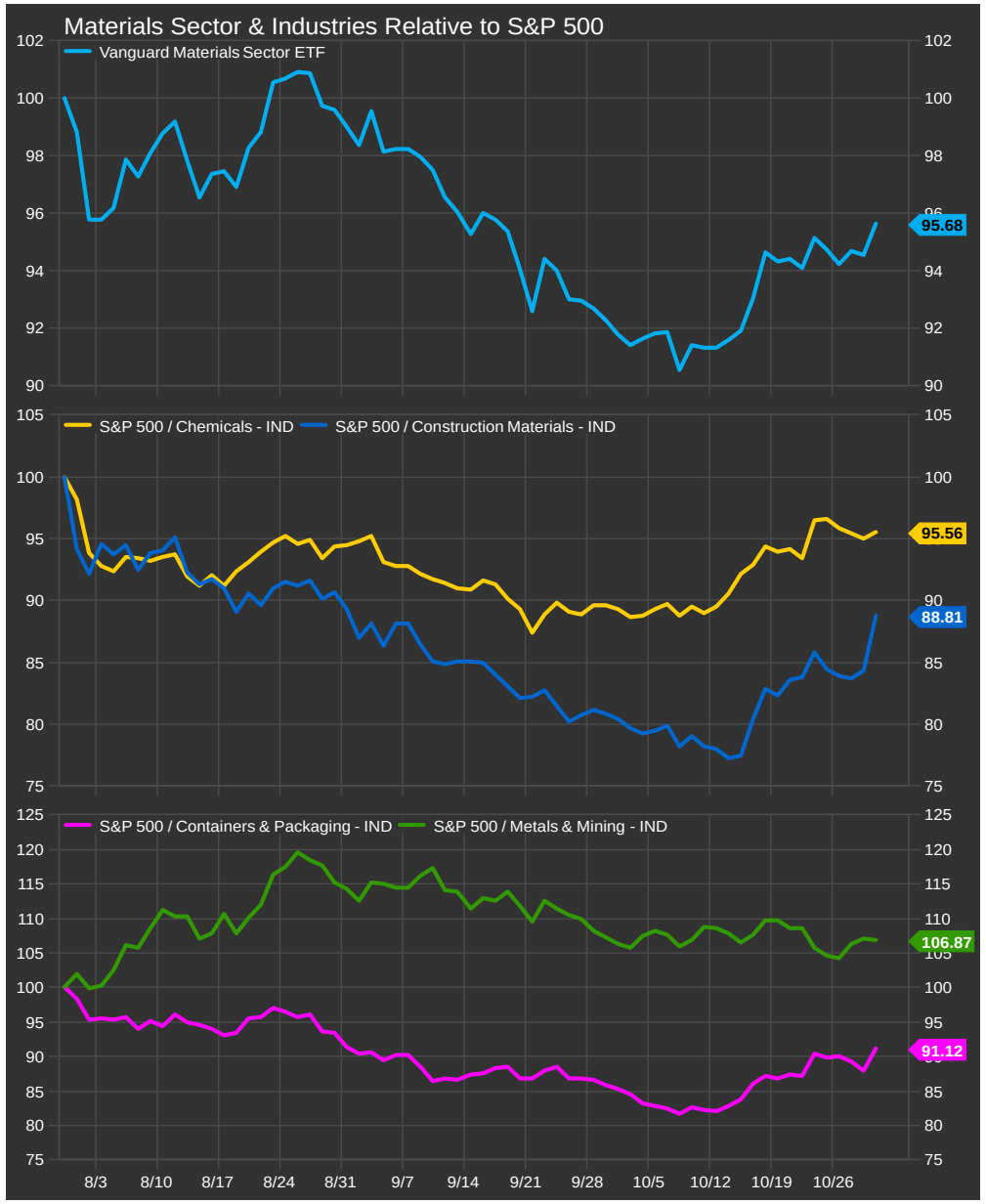
Commodity exposure changes the meaning of a low multiple. Metals and mining earnings depend heavily on realized prices and production. A discount can reflect doubts about the cycle rather than a mispriced stable earnings stream.

Freeport illustrates the price-volume tradeoff. Its October 27 Q3 release showed realized copper prices of $6.54 per pound versus $4.68 a year earlier, while copper sales fell to 749m pounds from 977m. Higher pricing supported earnings despite lower sales volume.

Industrial gases offer different economics. Linde's contractual projects and diversified demand justify a different analysis from a miner or steel producer. Its premium should be tested against cash returns and execution, rather than compared only with commodity-company multiples.

Valuation and price confirmation differ. FCX trades at 0.86x the index's P/E and 7.9% below its 50-day average. LIN trades at 1.39x and 4.2% above its 50-day average. The comparison helps distinguish a lower price from a better-supported earnings opportunity.

Materials Relative Trends: Metals Lead a Weak Three-Month Window



The sector still trails over this horizon. VAW has underperformed the S&P 500 by 4.32% from August through October. This is a three-month exhibit, not a six-month comparison.

Metals and mining is the exception. The industry has outperformed by 6.87%, while construction materials has underperformed by 11.19%, packaging by 8.88% and chemicals by 4.44%.

Steel earnings support the metals pocket. Nucor's Q3 sales reached $11.25bn and EBITDA $2.28bn in its October 26 release. Improved steel pricing and volume provide operating context for the industry's stronger relative position.

Chemicals still need broader confirmation. Linde's underlying Q3 sales grew 5%, split between 3% price and 2% volume. That balanced growth is constructive, but one resilient gas franchise does not establish a recovery across the whole chemicals group.

Materials Breadth: October 30 Constituent Update

Outperforming share descending • one-month returns

Industry	Stocks	Beat BMK	>50DMA	Median ex.
Construction Materials	3	**100.0%**	100.0%	+10.8%
Containers & Packaging	6	**83.3%**	83.3%	+7.9%
Chemicals	11	**72.7%**	72.7%	+5.8%
Metals & Mining	4	**50.0%**	50.0%	+4.3%

Outperforming share, high to low. Median sector excess return is +7.49% over one month. The latest rebound has real breadth.

Current participation. 18 of 24 constituents with valid one-month returns beat the benchmark. 18 of 24 trade above their 50-day averages.

The latest rebound has real breadth. Chemicals, construction materials and packaging participate, while individual commodity producers remain uneven. The broader improvement conflicts with the new zero allocation.

Portfolio implication. Stronger volume and cash-margin evidence would make that conflict more consequential. Breadth alone does not establish how long the recovery can last.

Materials Themes: Contracts, Steel and Copper Execution

Company evidence and the conditions for sustained returns

Contracted growth offers visibility. Linde's October 29 release reported an $11bn project backlog, including $7.9bn of contractual gas-sale projects. The commitments support future opportunity, but remain subject to project timing and returns on invested capital.

Steel has a stronger near-term earnings base. Nucor's October 26 outlook called for Q4 earnings roughly in line with or modestly above Q3. This is guidance, and its durability depends on pricing and shipments rather than repeating nonrecurring benefits from earlier periods.

Copper recovery includes operational risk. Freeport's October 27 report said the Grasberg ramp-up met expectations and its Indonesian smelter restarted in late August. Q3 production of 832m pounds exceeded copper sales of 749m, underscoring the importance of conversion and shipment timing.

Selective company strength does not overturn zero exposure. Linde's contracts and Nucor's near-term outlook offer reasons to keep researching the sector. Re-entry would be better supported by broader volume and cash-margin gains that survive higher energy costs, especially across chemicals and construction.

Top 10 Stock Performers: Materials

Rolling one-month excess return • highest to lowest

Company	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
Dow (DOW)	Chemicals	Bullish Reversal	**+21.1%**	0.91x	4.9	-0.32
Nucor (NUE)	Metals & Mining	Bullish Reversal	**+16.1%**	0.70x	8.9	1.86
Vulcan Materials (VMC)	Construction Materials	Consolidation	**+14.8%**	1.52x	-1.8	0.99
Steel Dynamics (STLD)	Metals & Mining	Consolidation	**+13.8%**	0.64x	2.5	1.57
Ball (BALL)	Containers & Packaging	Consolidation	**+13.1%**	0.78x	-0.04	0.61
PPG Industries (PPG)	Chemicals	Consolidation	**+12.5%**	0.75x	6.3	0.85
Air Products and Chemicals (APD)	Chemicals	Consolidation	**+11.7%**	1.14x	3.0	0.33
LyondellBasell Industries NV (LYB)	Chemicals	Consolidation	**+11.6%**	0.52x	1.7	-0.33
Martin Marietta Materials (MLM)	Construction Materials	Support	**+10.8%**	1.40x	-6.9	0.88
Amcor (AMCR)	Containers & Packaging	Consolidation	**+10.3%**	0.58x	6.6	0.50

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

Selection evidence. DOW, NUE and VMC lead. Chemicals and construction-related stocks have improved, creating a tangible opportunity cost for the new zero sector weight.

Model context. 3 of these ten stocks contribute positively and 7 negatively to the model score. Recent returns and model classifications need not agree.

Bottom 10 Stock Performers: Materials

Rolling one-month excess return • lowest to highest

Company	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
Mosaic (MOS)	Chemicals	Downtrend	**-19.4%**	0.78x	-23.7	0.47
Albemarle (ALB)	Chemicals	Downtrend	**-14.0%**	0.50x	-28.0	1.35
Freeport-McMoRan (FCX)	Metals & Mining	Bullish Reversal	**-7.1%**	0.86x	1.8	0.78
Newmont (NEM)	Metals & Mining	Bullish Reversal	**-5.2%**	0.60x	6.0	0.30
Smurfit Westrock (SW)	Containers & Packaging	Consolidation	**-4.9%**	0.74x	-9.8	0.98
Sherwin-Williams (SHW)	Chemicals	Downtrend	**-0.8%**	1.35x	-5.9	1.04
CF Industries Holdings (CF)	Chemicals	Bullish Reversal	**+1.3%**	0.51x	-8.9	-0.02
Linde (LIN)	Chemicals	Consolidation	**+5.6%**	1.39x	-3.5	0.40
International Flavors & Fragrances (IFF)	Chemicals	Bullish Reversal	**+5.8%**	1.26x	11.0	0.44
Avery Dennison (AVY)	Containers & Packaging	Consolidation	**+5.9%**	0.89x	4.5	0.61

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

Selection evidence. MOS and ALB are the deepest laggards. Only the first six names underperform. Producer-specific commodity and operating risks make it inappropriate to treat all Materials stocks as one inflation exposure.

Model context. 4 of these ten stocks contribute positively and 6 negatively to the model score. Recent returns and model classifications need not agree.

Materials: Demand Improves, Cost and Housing Risks Remain

Domestic demand supports selective volume recovery. Q3 real private final domestic purchases grew 4.9% annualized in BEA's October 29 release. This is a constructive demand backdrop without proving that all materials end markets are strengthening.

Housing remains a constraint. September single-family permits fell 4.0% from August to an annualized 845,000 in the October 20 Census release. That limits confidence in a broad construction-materials demand acceleration.

Higher energy prices cut both ways. September energy CPI rose 20.4% year over year, according to BLS on October 14. Some producers benefit from related commodity pricing, while chemicals and other energy-intensive businesses face cost pressure.

November evidence that could challenge zero exposure. CPI on November 10, industrial production on November 17 and housing construction on November 18 will test costs and volumes. Better shipments with stable margins would strengthen the case for the recovering stocks that the model currently excludes.

Elev8 Components: Materials

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**

VAW total: -2 | Elev8 weight: 0.00% | Active weight: -1.91 pp. The score grid highlights the signals supporting or challenging this sector's November position.

Current signal balance. Positive inputs: Commodity-up +1. Negative inputs: Mean -1, Weighted -1, USD-up -1.

Allocation significance. Materials shares its total score with three funded sectors but has zero weight. The explicit allocation governs. No tie-breaking formula can be inferred from this snapshot.

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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