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Monthly Insights: November Outlook

Utilities

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

Utilities: A New Overweight with Funding Discipline

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

VPU: 2.99% portfolio weight versus 2.05% benchmark; active weight +0.94 pp. Score -2, rank T6. The table places this sector's exposure in the full portfolio context.

Utilities enters at a measured size. VPU rises from zero in October to 2.99% for November. Its −2 score ties sixth and the active overweight is 0.94 percentage points.

The recent recovery has depth. Twenty-eight of 31 constituents outperform over one month and 27 trade above their 50-day averages. The leading stocks include regulated utilities, while the weakest monthly returns cluster in competitive power producers.

The opportunity rests on earned returns. Growing electricity demand supports capital investment, but regulation and financing determine the per-share earnings benefit. New capacity does not create value automatically.

The position diversifies earnings exposure. Regulated cash flows can reduce dependence on consumer spending and AI supplier valuations. Utilities remain sensitive to interest rates and customer affordability, so the entry should not be interpreted as protection from every market risk.

Utilities Technicals: A Recovery Below the Long-Term Average



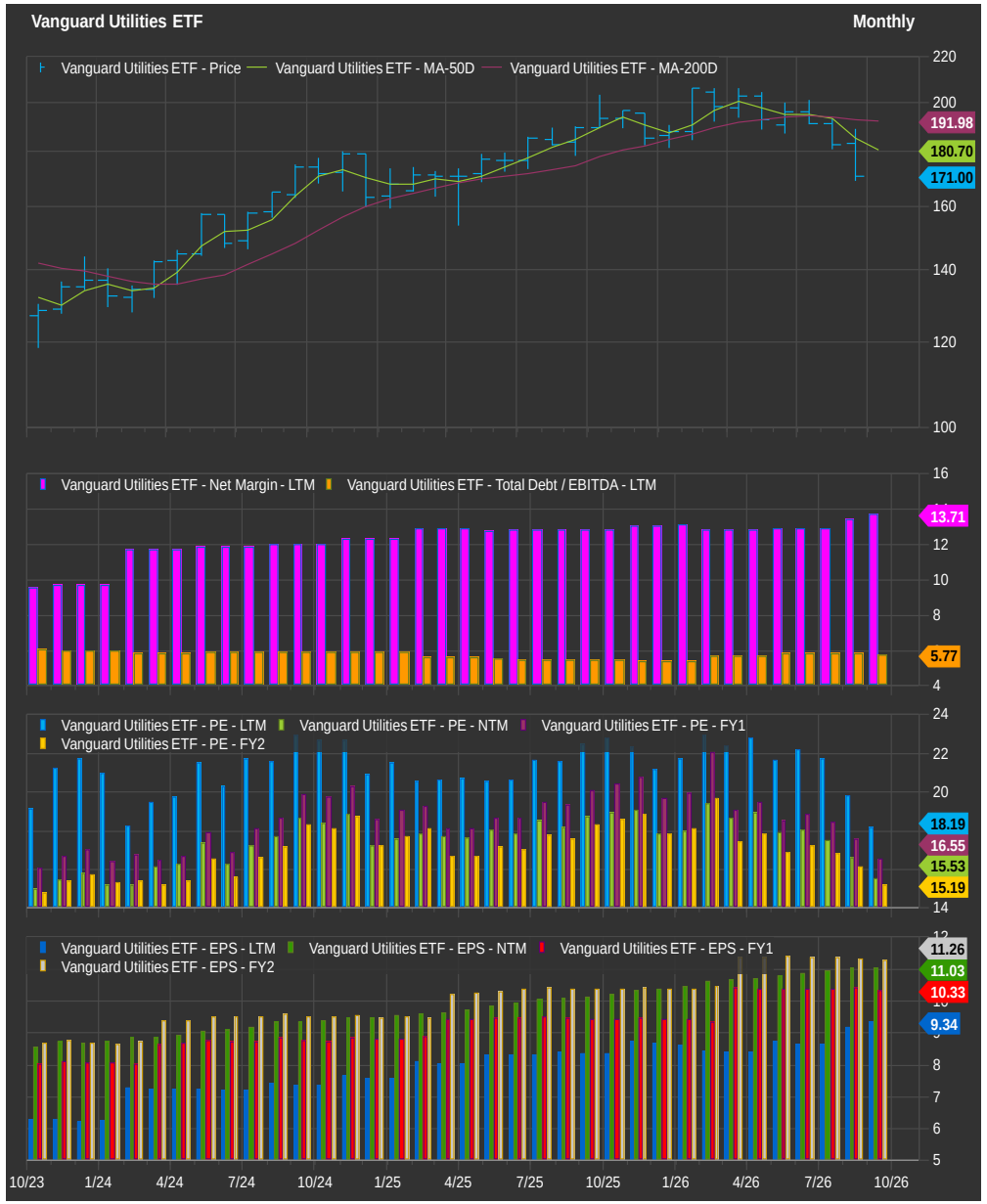
The rebound has reclaimed short-term support. In the chart through October 29, VPU at 186.38 holds above the 50-day average near 180.70. Keeping that support would preserve the recovery from the September trough.

The longer trend is still the obstacle. The 200-day average near 191.98 presents resistance. Clearing it would be a stronger signal than the rebound alone; failure would leave the sector within the earlier downtrend.

Momentum has improved convincingly. RSI near 63 and MACD above its signal line support the move. The next test is whether momentum can carry price through resistance rather than fade beneath it.

Company growth offers supporting context. NextEra's October 21 Q3 release reported adjusted EPS growth of 9.7%. Yet the daily curve shows 13.47% underperformance over the previous twelve months. Current operating progress has not erased the longer equity deficit.

Utilities Fundamentals: Growth Requires Capital and Recovery



The chart combines stable margins with leverage. The monthly exhibit shows a 13.71% trailing net margin and debt / EBITDA of 5.77x. Capital intensity makes the funding and recovery of investment central to earnings durability.

Forward earnings imply steady progress. Trailing P/E of 18.19x compares with 15.53x NTM P/E. NTM EPS of 11.03 exceeds trailing EPS of 9.34, while FY2 EPS of 11.26 compares with FY1's 10.33.

Headline earnings need normalization. NextEra's Q3 GAAP EPS was $2.28 versus $1.18 a year earlier, while adjusted EPS was $1.24 versus $1.13. Investment and hedge effects make the adjusted comparison more useful for recurring growth.

Capital additions are the operating mechanism. FPL's regulatory capital employed rose approximately 9.2% year over year, with $2.4bn of Q3 investment. Growth in the asset base matters only if approved returns and financing allow it to produce per-share earnings.

Utilities Valuation: Earnings Quality and Price Confirmation

Selected constituents • relative P/E ascending

Stock	Rel. P/E	1M excess	50DMA dist.
VST	**0.77x**	-0.6%	-3.0%
SRE	**0.84x**	+9.1%	+4.5%
D	**0.92x**	+6.7%	+2.2%
DUK	**0.95x**	+9.5%	+5.8%
AEP	**1.01x**	+7.7%	+5.0%
NEE	**1.01x**	+7.5%	+2.4%
SO	**1.02x**	+10.7%	+6.1%
CEG	**1.08x**	-0.7%	-3.2%

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

The relative-P/E spread reflects different business risks. Regulated networks, diversified utilities and merchant generators do not have interchangeable earnings profiles. A low multiple must be weighed against debt, regulation and commodity exposure.

AEP illustrates the capital-growth distinction. Its October 28 release outlined a $100bn five-year capital plan through 2031 and projected rate-base growth above 13% annually. Operating-EPS growth guidance of 9%–11% for 2027–2031 is lower, reflecting the difference between asset expansion and shareholder earnings.

A high premium needs durable economics. Faster-growing power franchises can justify higher multiples only if contracts, funding and execution support the expected returns. Demand announcements alone do not establish attractive equity economics.

Valuation and price confirmation differ. VST trades at 0.77x the index's P/E and 3.0% below its 50-day average. DUK trades at 0.95x and 5.8% above its 50-day average. The comparison helps distinguish a lower price from a better-supported earnings opportunity.

Utilities Relative Trends: The Six-Month Deficit Is Widespread



The rebound has not closed the gap. VPU has underperformed the S&P 500 by 12.82% from May through October. Every displayed industry remains below the benchmark over this window.

Electric and gas utilities show the largest deficits. Electric utilities have underperformed by 14.05% and gas utilities by 14.86%. Multi-utilities have lagged by 9.90%, while water utilities are nearer parity with 0.40% underperformance.

Merchant power is not exempt. Independent power producers have underperformed by 13.27%. Growing electricity demand does not eliminate valuation, contract or financing risk.

Regulated earnings provide a counterpoint. Duke's latest available Q2 report, released August 4, showed adjusted EPS of $1.43 versus $1.25. Recovery of infrastructure spending helped, while depreciation and interest costs offset part of the benefit. Its Q3 results remain a prospective November event.

Utilities Breadth: October 30 Constituent Update

Outperforming share descending • one-month returns

Industry	Stocks	Beat BMK	>50DMA	Median ex.
Multi-Utilities	10	**100.0%**	100.0%	+9.2%
Water Utilities	1	**100.0%**	100.0%	+8.8%
Gas Utilities	1	**100.0%**	100.0%	+7.8%
Electric Utilities	17	**88.2%**	82.4%	+8.6%
Independent Power & Renewables	2	**50.0%**	50.0%	-0.03%

Outperforming share, high to low. Median sector excess return is +8.85% over one month. The rebound favors regulated earnings.

Current participation. 28 of 31 constituents with valid one-month returns beat the benchmark. 27 of 31 trade above their 50-day averages.

The rebound favors regulated earnings. The weakest monthly returns sit in competitive power names, while most regulated utilities outperform. That distinction matters when assessing exposure to the AI investment cycle.

Portfolio implication. Three constituents now contribute positively to the model score. Most remain negative, so the small overweight precedes a complete recovery in stock classifications.

Utilities Themes: Build-Out, Backlogs and Rate Recovery

Company evidence and the conditions for sustained returns

Renewables and storage have a large committed pipeline. NextEra's October 21 release added 3.7 GW to its development backlog, which reached approximately 36.7 GW after new projects entered service. Backlog supports visibility but remains subject to completion, funding and customer economics.

AEP is already showing earnings progress. Q3 operating EPS rose to $2.23 from $1.80, while GAAP EPS rose to $2.18 from $1.82. Its capital plan extends the growth opportunity, with execution and affordability central to earning the targeted returns.

Duke offers a regulated recovery reference. Its August 4 Q2 release reaffirmed 2026 adjusted EPS of $6.55–$6.80 and long-term adjusted growth of 5%–7% through 2030. This is the latest available outlook at the cutoff; Q3 results are scheduled for November 5.

The new position favors disciplined capital recovery. The model now participates in the earnings opportunity at a modest overweight. Projects with credible customers, approved cost recovery and manageable financing offer stronger support than demand announcements without a clear path to per-share returns.

Top 10 Stock Performers: Utilities

Rolling one-month excess return • highest to lowest

Company	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
CenterPoint Energy (CNP)	Multi-Utilities	Consolidation	**+13.6%**	1.09x	-1.2	0.00
Pinnacle West Capital Corp (PNW)	Electric Utilities	Bullish Reversal	**+13.5%**	1.05x	3.3	0.04
NiSource (NI)	Multi-Utilities	Consolidation	**+13.1%**	1.07x	-1.6	0.23
Exelon (EXC)	Electric Utilities	Consolidation	**+12.2%**	0.81x	-1.8	-0.34
Edison International (EIX)	Electric Utilities	Support	**+11.9%**	0.49x	-14.7	-0.11
Xcel Energy (XEL)	Electric Utilities	Consolidation	**+11.1%**	0.94x	-0.4	0.21
Consolidated Edison (ED)	Multi-Utilities	Bullish Reversal	**+11.1%**	0.96x	2.1	-0.39
WEC Energy Group (WEC)	Multi-Utilities	Consolidation	**+11.0%**	1.03x	1.0	0.04
Southern (SO)	Electric Utilities	Consolidation	**+10.7%**	1.02x	-2.4	-0.02
Duke Energy (DUK)	Electric Utilities	Consolidation	**+9.5%**	0.95x	-2.4	-0.04

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

Selection evidence. CNP, PNW and NI lead. Regulated utilities dominate the positive list, supporting the interpretation of the new position as a broader earnings diversification choice.

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

Bottom 10 Stock Performers: Utilities

Rolling one-month excess return • lowest to highest

Company	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
Constellation Energy (CEG)	Electric Utilities	Consolidation	**-0.7%**	1.08x	-5.6	1.96
Vistra Corp (VST)	Independent Power & Renewables	Support	**-0.6%**	0.77x	-7.0	2.06
NRG Energy (NRG)	Electric Utilities	Retracement	**-0.3%**	0.52x	-22.2	1.31
AES (AES)	Independent Power & Renewables	Acquisition	**+0.6%**	0.33x	-1.8	0.54
Eversource Energy (ES)	Electric Utilities	Downtrend	**+5.5%**	0.74x	-6.8	0.61
FirstEnergy Corp (FE)	Electric Utilities	Consolidation	**+6.6%**	0.86x	-5.0	-0.11
Dominion Energy (D)	Multi-Utilities	Consolidation	**+6.7%**	0.92x	-4.8	0.56
NextEra Energy (NEE)	Electric Utilities	Consolidation	**+7.5%**	1.01x	-7.9	0.29
American Electric Power (AEP)	Electric Utilities	Consolidation	**+7.7%**	1.01x	-2.5	0.18
Evergy (EVRG)	Electric Utilities	Consolidation	**+7.8%**	1.01x	0.3	0.25

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

Selection evidence. CEG, VST and NRG are the only negative monthly excess returns. The other seven still outperform. Competitive power exposure carries different demand and valuation risks from the regulated leaders.

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

Utilities: Demand Growth Meets Affordability and Funding Constraints

Electricity demand has a structural component. EIA's October outlook projected roughly 3% commercial and industrial demand growth in 2027. This is a forecast; it supports planning while leaving project timing and customer economics uncertain.

Customer bills are a policy constraint. September electricity CPI rose 4.4% year over year in BLS's October 14 release. Higher bills can increase scrutiny of capital plans and cost recovery even when investment addresses genuine demand.

Funding costs remain relevant. The Fed held rates at 3.75%–4.00% on October 28. A capital-intensive sector with substantial leverage needs growth in allowed earnings to keep pace with financing and depreciation costs.

November confirmation for the new position. Duke's November 5 results provide a test of regulated earnings. CPI on November 10 and industrial production on November 17 will help assess customer affordability and the persistence of power demand beyond seasonal weather.

Elev8 Components: Utilities

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**

VPU total: -2 | Elev8 weight: 2.99% | Active weight: +0.94 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. The new position is modest and the score remains negative. Regulated earnings growth and approved capital recovery must outweigh financing costs and customer-affordability pressure.

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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