NDR
NED DAVIS RESEARCH

NDR Sector Views

APRIL 3, 2025

Growth sectors still searching for a bottom

Nine of 11 sectors finished with a negative return in March in what was the largest monthly decline for the S&P 500 since December 2022. The index officially fell into correction territory during the month.

Growth sectors closed out Q1 on a low note, with Communication Services, Technology, and Consumer Discretionary all falling by more than 8% in March. The sectors were the biggest drags on the S&P 500, subtracting a total of 4.5% points from index's return.

Value sectors held up relatively well, led by Energy's 3.8% gain. The selloff since the February 19 S&P 500 high has **reaffirmed Energy as the top defensive sector**, outperforming during the last 14 S&P 500 declines of 5% or greater (chart, page 2). As long as inflation remains a top concern for investors, the relationship is likely to hold.
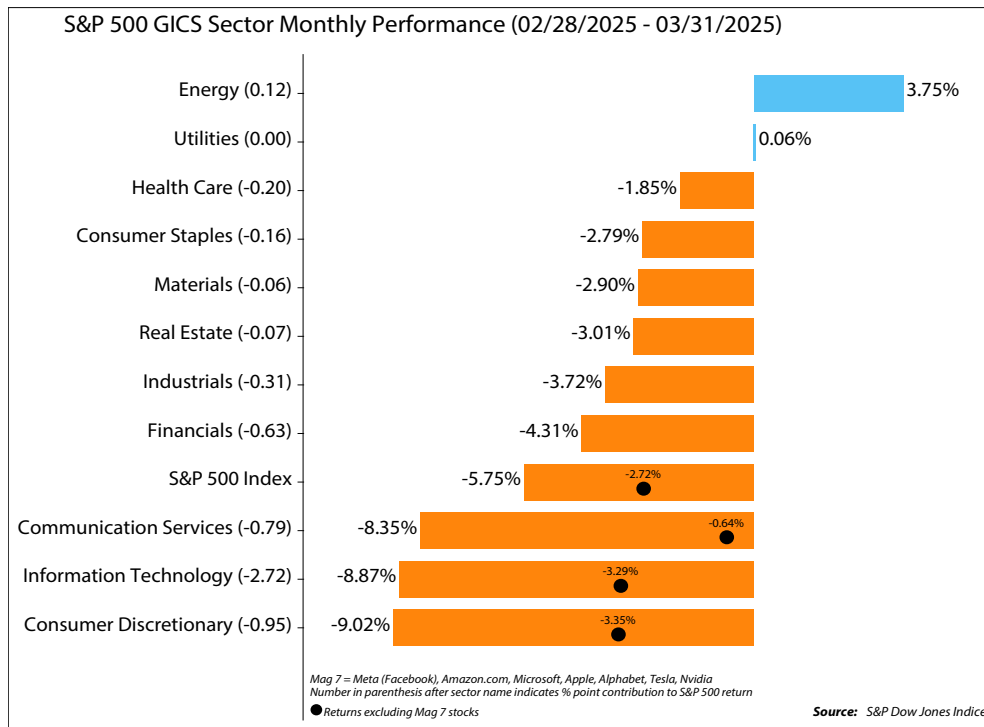
Mega-cap reversal

The pullback this year has been mega-cap driven, with the cap-weighted Mag 7 Index down 14% year to date versus a 0.3% gain for

CURRENT RECOMMENDATIONS

Sector	Position	Recommended	Benchmark
Financials	●	16%	12.6%
Utilities	●	4%	2.3%
Communication Services	●	9%	9.2%
Consumer Discretionary	●	10%	10.6%
Consumer Staples	●	6%	6.5%
Energy	●	3%	3.7%
Health Care	●	12%	12.1%
Industrials	●	9%	8.5%
Technology	●	29%	30.1%
Materials	●	1%	2.3%
Real Estate	●	1%	2.3%

● Overweight   ● Marketweight   ● Underweight

Growth sectors led S&P 500 lower in March

S&P 500 GICS Sector Monthly Performance (02/28/2025 - 03/31/2025)

Sector	Performance	Returns excluding Mag 7
Energy (0.12)	3.75%	
Utilities (0.00)	0.06%	
Health Care (-0.20)	-1.85%	
Consumer Staples (-0.16)	-2.79%	
Materials (-0.06)	-2.90%	
Real Estate (-0.07)	-3.01%	
Industrials (-0.31)	-3.72%	
Financials (-0.63)	-4.31%	
S&P 500 Index	-5.75%	-2.72%
Communication Services (-0.79)	-8.35%	-0.64%
Information Technology (-2.72)	-8.87%	-3.29%
Consumer Discretionary (-0.95)	-9.02%	-3.35%

Mag 7 = Meta (Facebook), Amazon.com, Microsoft, Apple, Alphabet, Tesla, Nvidia
Number in parenthesis after sector name indicates % point contribution to S&P 500 return
● Returns excluding Mag 7 stocks

Source: S&P Dow Jones Indices

BA552K_Mag7

the S&P 500 ex-Mag 7. The black dots on the chart at left show that losses in March for the S&P 500 and Growth sectors were less severe when excluding the Mag 7.

While uncertainty remains high for the group, analysts have been reluctant to lower earnings expectations. The combination of the downshift in returns and resilient estimates pushed the Mag 7's relative forward P/E ratio to its **lowest reading since at least 2016** at the end of March. Valuations alone, however, are unlikely to be the catalyst that shifts investor sentiment on the group.
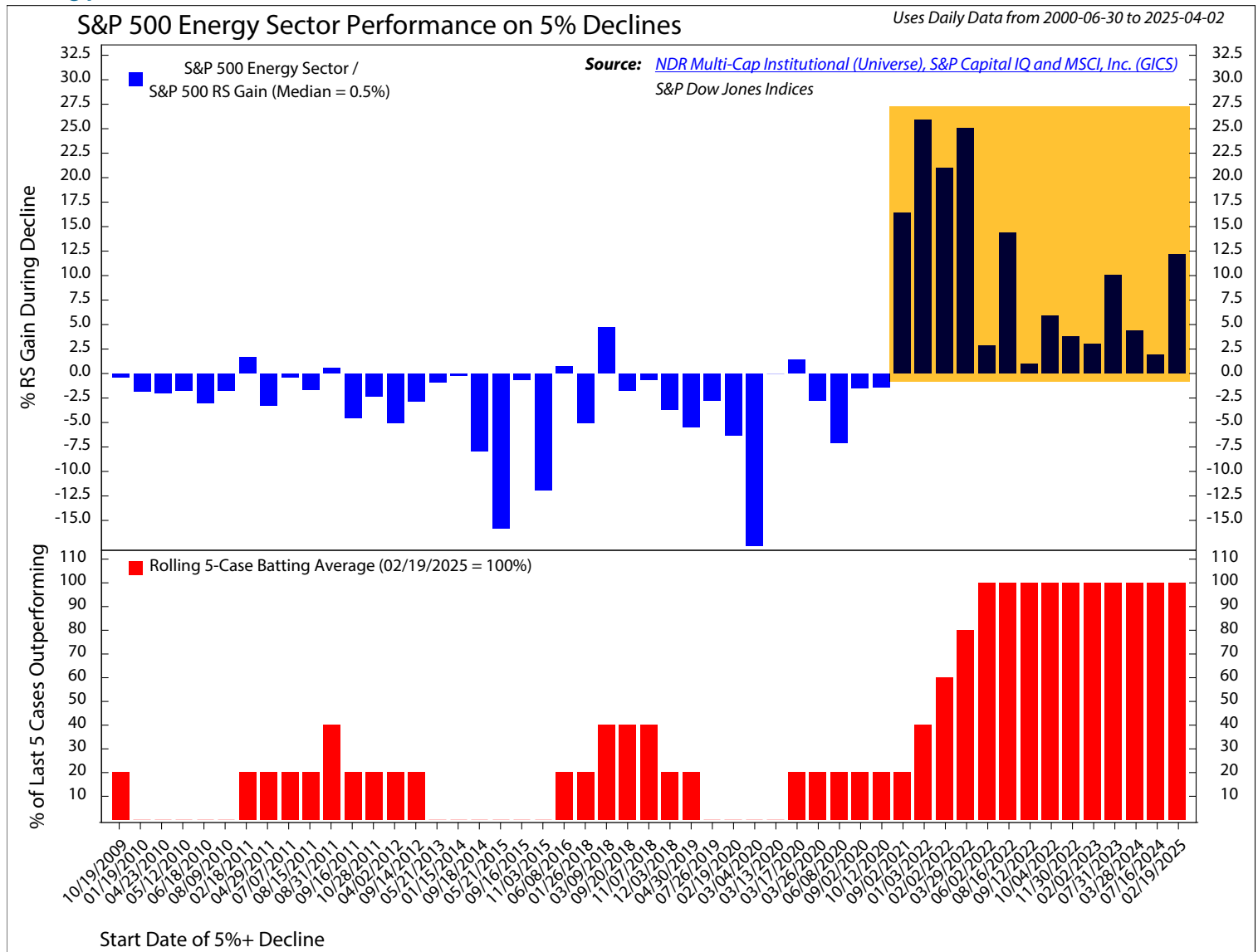
Model update

The sector model made three recommendation changes at the month-end update, **shifting closer to benchmark weights.** Materials and Real Estate were upgraded to marketweight, while Financials was downgraded to marketweight. The model is now overweight Utilities and marketweight the remaining 10 sectors. **We have Financials (currently overweight) on watch for a downgrade and Materials (currently underweight) on watch for an upgrade.**
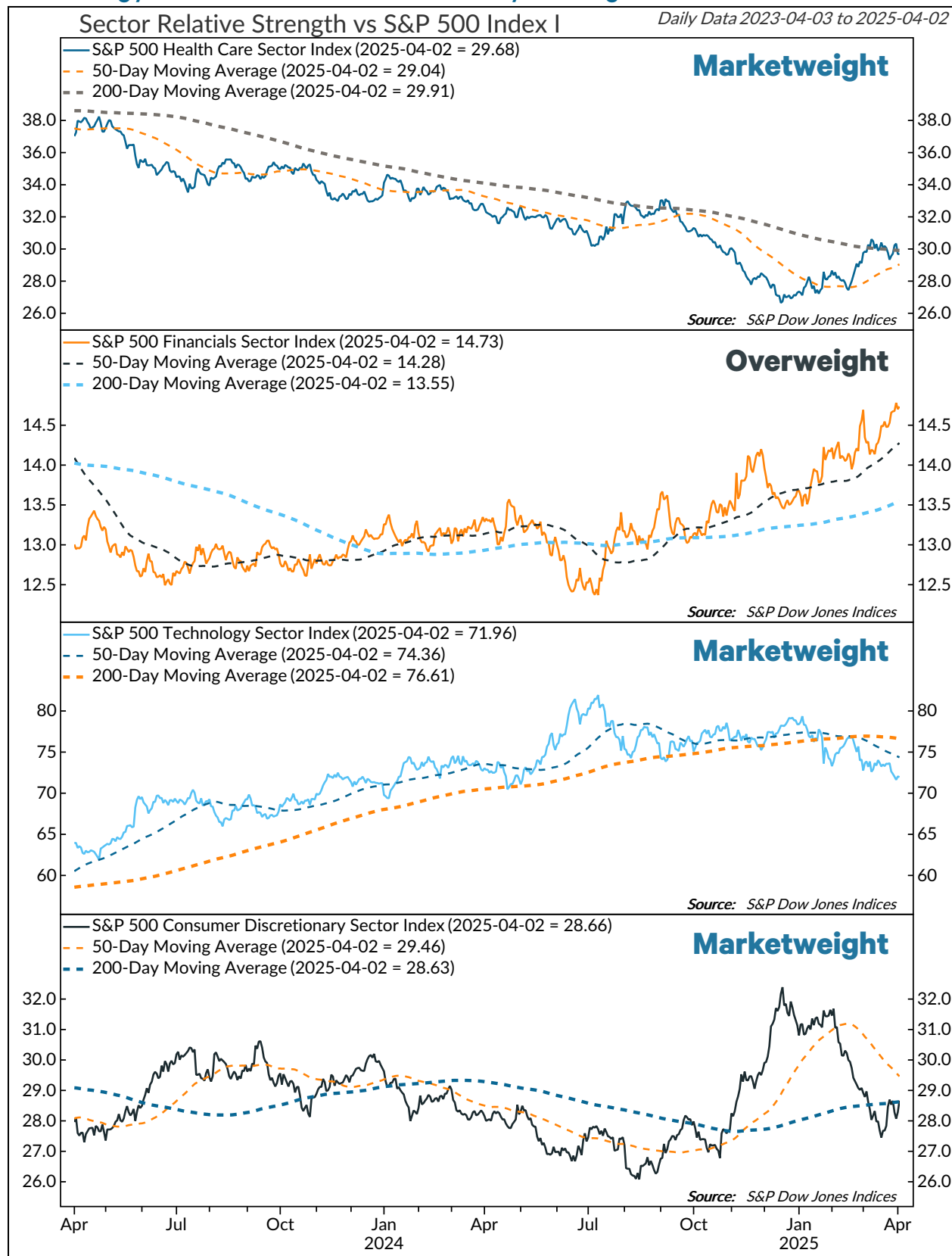
Energy continues to act defensive

S&P 500 Energy Sector Performance on 5% Declines

Uses Daily Data from 2000-06-30 to 2025-04-02

S&P 500 Energy Sector / S&P 500 RS Gain (Median = 0.5%)

Source: NDR Multi-Cap Institutional (Universe), S&P Capital IQ and MSCI, Inc. (GICS) S&P Dow Jones Indices

% RS Gain During Decline

Rolling 5-Case Batting Average (02/19/2025 = 100%)

% of Last 5 Cases Outperforming

Start Date of 5%+ Decline

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Technology on a death cross. Discretionary nearing one as well.

Sector Relative Strength vs S&P 500 Index I
Daily Data 2023-04-03 to 2025-04-02

S&P 500 Health Care Sector Index (2025-04-02 = 29.68)
50-Day Moving Average (2025-04-02 = 29.04)
200-Day Moving Average (2025-04-02 = 29.91)

Marketweight

Source: *S&P Dow Jones Indices*

S&P 500 Financials Sector Index (2025-04-02 = 14.73)
50-Day Moving Average (2025-04-02 = 14.28)
200-Day Moving Average (2025-04-02 = 13.55)

Overweight

Source: *S&P Dow Jones Indices*

S&P 500 Technology Sector Index (2025-04-02 = 71.96)
50-Day Moving Average (2025-04-02 = 74.36)
200-Day Moving Average (2025-04-02 = 76.61)

Marketweight

Source: *S&P Dow Jones Indices*

S&P 500 Consumer Discretionary Sector Index (2025-04-02 = 28.66)
50-Day Moving Average (2025-04-02 = 29.46)
200-Day Moving Average (2025-04-02 = 28.63)

Marketweight

Source: *S&P Dow Jones Indices*

Utilities on golden cross signal. Staples nearing one as well
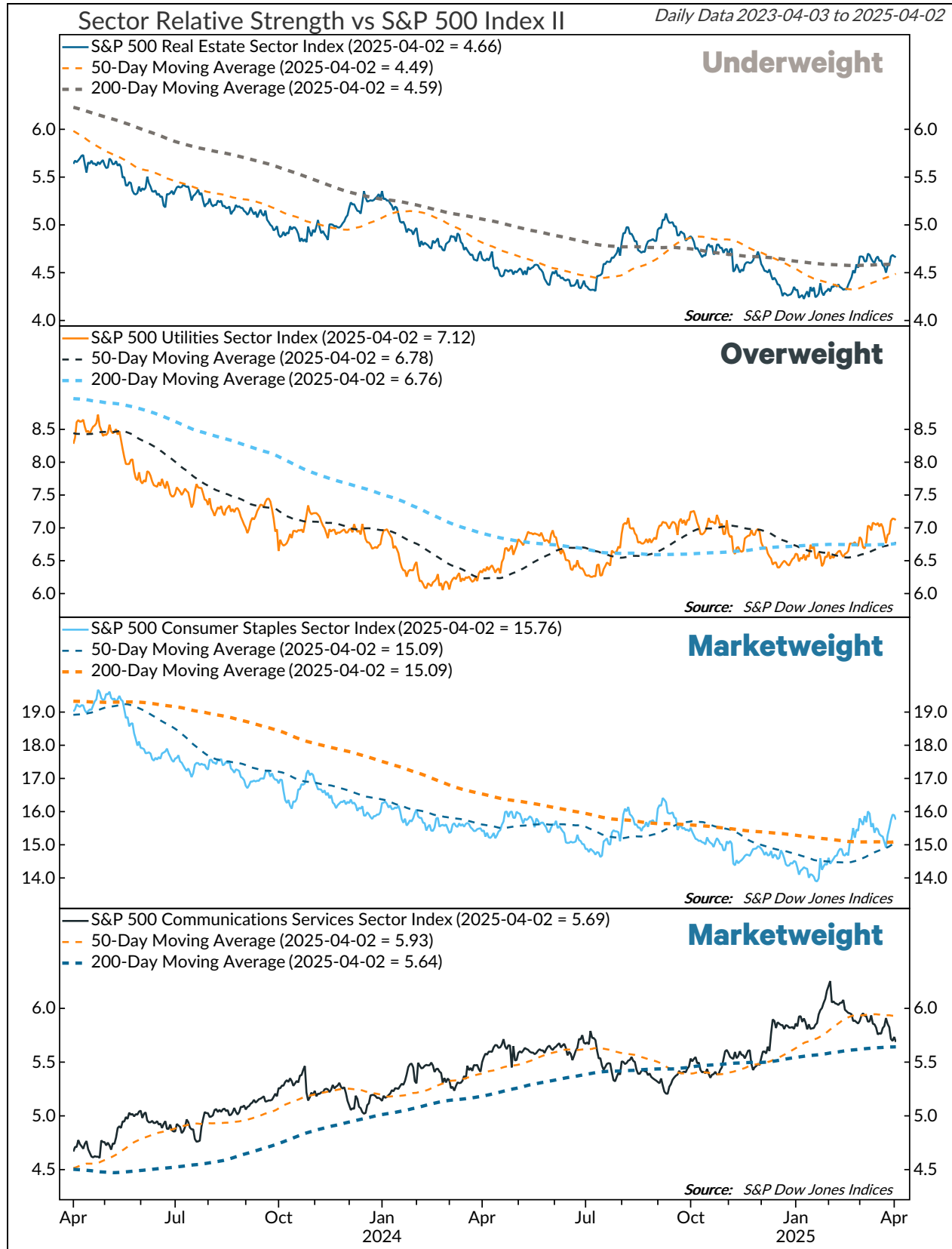
Sector Relative Strength vs S&P 500 Index II

Daily Data 2023-04-03 to 2025-04-02

S&P 500 Real Estate Sector Index (2025-04-02 = 4.66)
50-Day Moving Average (2025-04-02 = 4.49)
200-Day Moving Average (2025-04-02 = 4.59)

Underweight

Source: S&P Dow Jones Indices

S&P 500 Utilities Sector Index (2025-04-02 = 7.12)
50-Day Moving Average (2025-04-02 = 6.78)
200-Day Moving Average (2025-04-02 = 6.76)

Overweight

Source: S&P Dow Jones Indices

S&P 500 Consumer Staples Sector Index (2025-04-02 = 15.76)
50-Day Moving Average (2025-04-02 = 15.09)
200-Day Moving Average (2025-04-02 = 15.09)

Marketweight

Source: S&P Dow Jones Indices

S&P 500 Communications Services Sector Index (2025-04-02 = 5.69)
50-Day Moving Average (2025-04-02 = 5.93)
200-Day Moving Average (2025-04-02 = 5.64)

Marketweight

Source: S&P Dow Jones Indices

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Industrials and Energy nearing golden cross signals
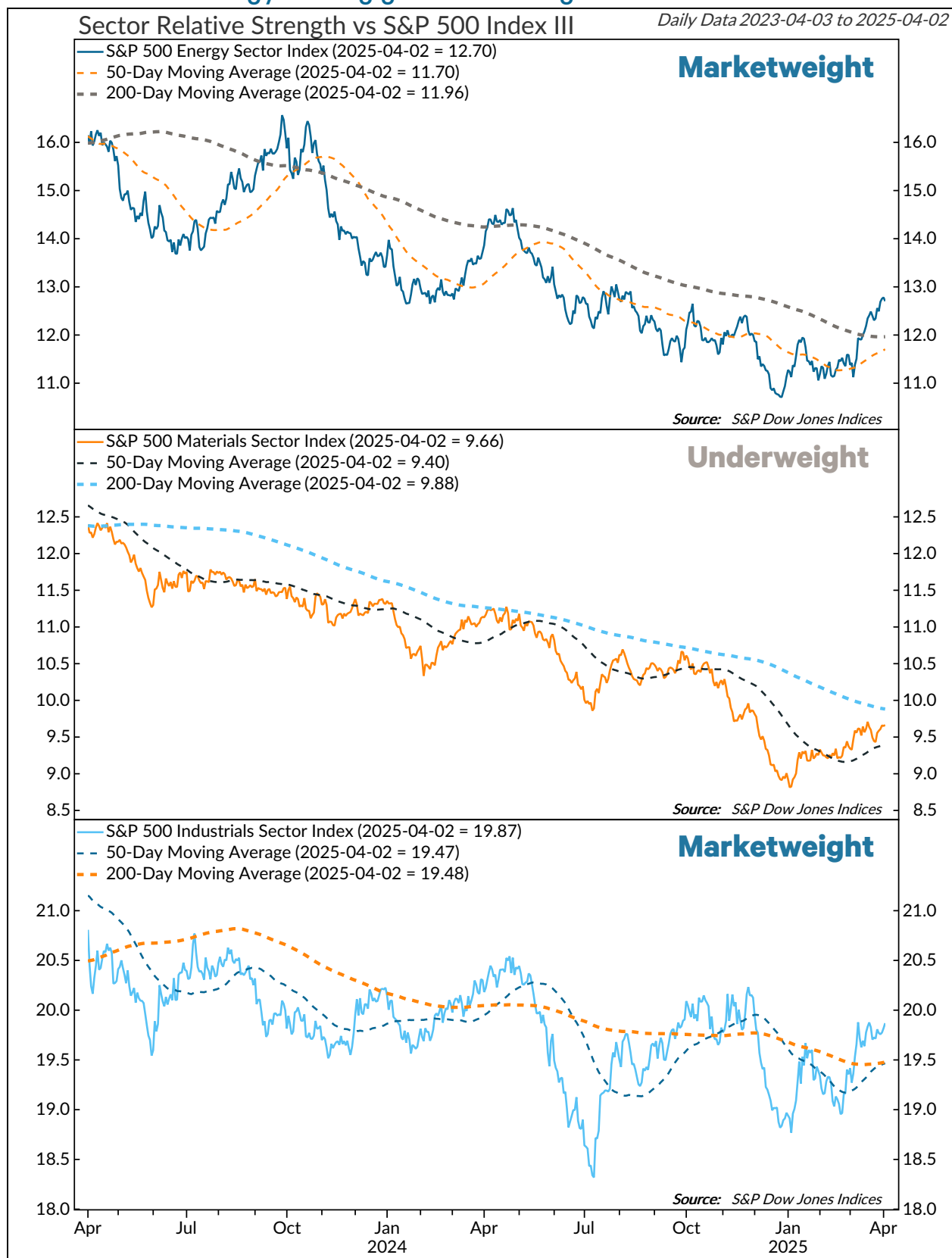
Sector Relative Strength vs S&P 500 Index III
Daily Data 2023-04-03 to 2025-04-02

— S&P 500 Energy Sector Index (2025-04-02 = 12.70)
- - 50-Day Moving Average (2025-04-02 = 11.70)
- - 200-Day Moving Average (2025-04-02 = 11.96)

Marketweight

Source: S&P Dow Jones Indices

— S&P 500 Materials Sector Index (2025-04-02 = 9.66)
- - 50-Day Moving Average (2025-04-02 = 9.40)
- - 200-Day Moving Average (2025-04-02 = 9.88)

Underweight

Source: S&P Dow Jones Indices

— S&P 500 Industrials Sector Index (2025-04-02 = 19.87)
- - 50-Day Moving Average (2025-04-02 = 19.47)
- - 200-Day Moving Average (2025-04-02 = 19.48)

Marketweight

Source: S&P Dow Jones Indices

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March 2025 S&P 500 Sector Return Heat Map
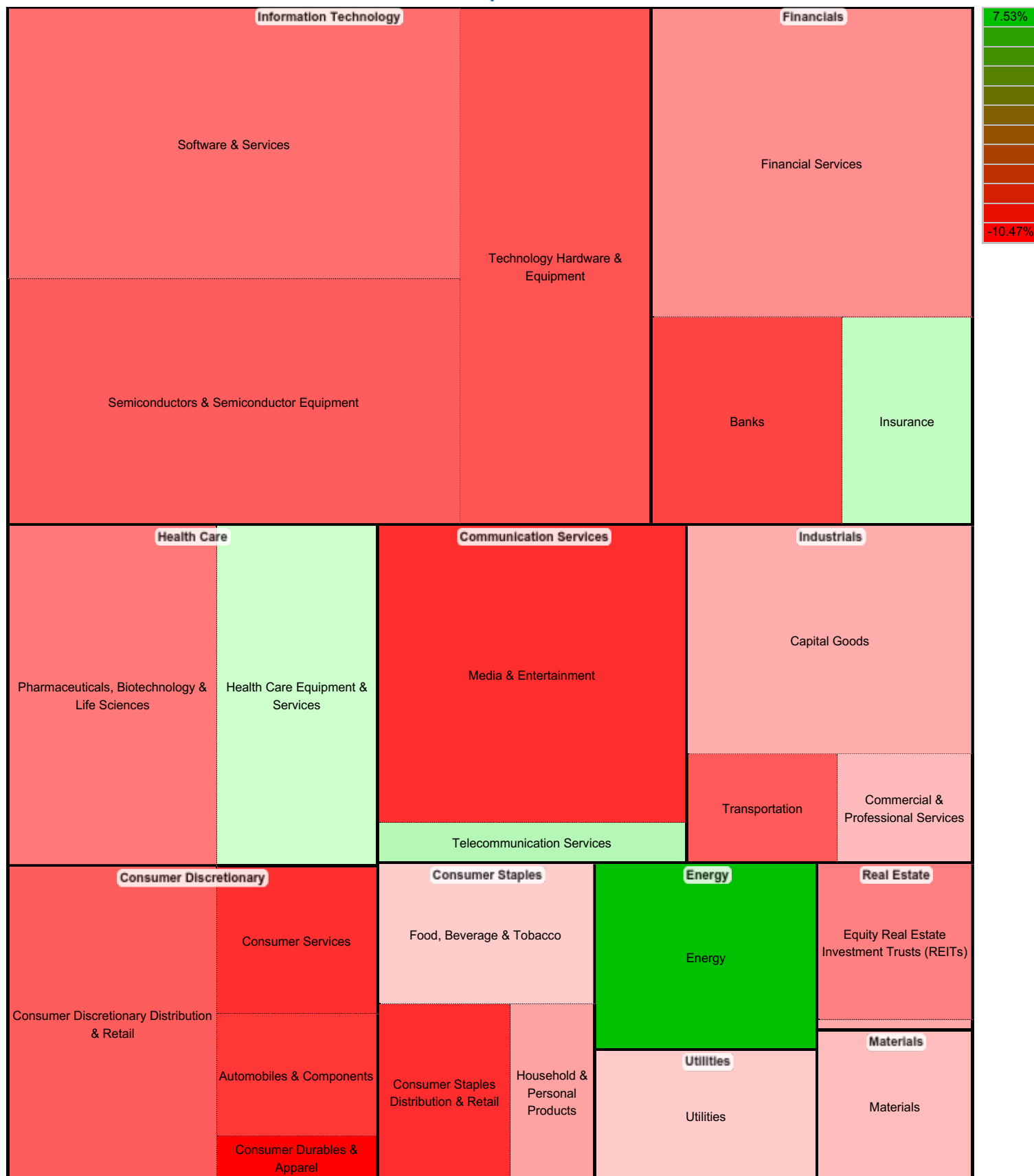
Box sizes represent market-cap of sectors and industry groups. Color intensity reflects magnitude of return.
Sources: S&P Dow Jones Indices, Ned Davis Research.

Health Care looks cheap based on all metrics

| Sector | | Excess |

Sector	EBIT/ Enterprise Value	Dividend Yield	Book Yield	Earnings Yield	Sales Yield	Forward Earnings Yield	Cap-Weighted Cyclically Adjusted Earnings Yield
Energy	7.51	3.21	50.73	5.88	44.29	6.41	2.50
Materials	5.80	2.07	41.39	3.98	60.31	5.62	3.60
Industrials	4.72	1.34	17.82	3.84	29.78	4.80	2.97
Consumer Discretionary	6.36	1.17	13.47	5.02	48.77	5.39	2.39
Consumer Staples	6.41	2.76	22.38	4.61	62.06	5.86	3.46
Health Care	5.22	0.53	22.96	3.34	29.11	6.12	3.02
Financials	9.59	1.60	46.91	6.81	47.34	7.77	4.32
Information Technology	3.70	0.51	13.64	3.19	18.78	4.47	1.86
Communication Services	8.02	0.67	33.67	4.27	60.24	5.91	2.93
Utilities	4.47	3.05	46.43	4.77	34.00	5.30	3.88
Real Estate	2.67	3.54	37.17	2.44	11.49	2.67	2.90

- 🟩 : Cheap
- 🟥 : Expensive
- A sector is identified as cheap/expensive when the sector valuation spread (valuation yield - S&P 500 ex-sector valuation yield) crosses below/above its five-year average spread.
- The best measure, based on historical spreads, for each sector is Energy (EBIT/EV), Materials (Dividend Yield), Industrials (Dividend Yield), Consumer Discretionary (Sales Yield), Consumer Staples (Cyclically Adjusted Earnings Yield), Health Care (Cyclically Adjusted Earnings Yield), Financials (Dividend Yield), Information Technology (Earnings Yield), Communication Services (Sales Yield), and Utilities (Cyclically Adjusted Earnings Yield). Real Estate excluded due to lack of history.
- *Source: Ned Davis Research calculations using Compustat data.*

Excess CAPE Yield Model remains steady

Excess CAPE Yield Sector Strategy vs. S&P 500

Monthly Data 1993-01-31 to 2025-03-31 (Log Scale)

Annualized Returns, Inflation-Adjusted Including Dividends
— Excess CAPE Yield Model: 10.2%
— S&P 500: 7.8%

Equally-weighted portfolio made up of the three sectors with the highest forecasted 10-year returns estimated from a regression model of forward 10-year returns as a function of the excess CAPE yield at the sector level.

Concept from Schiller, Black, Jivraj, CAPE and the COVID-19 Pandemic Effect

Source: Bloomberg Finance L.P., Bureau of Labor Statistics, Ned Davis Research, S&P Dow Jones Indices, Standard & Poor's

Utilities (7)
Information Technology (2)
Financials (8)
Health Care (3)
Consumer Staples (4)
Consumer Discretionary (1)
Industrials (5)
Materials (6)

1994 1996 1998 2000 2002 2004 2006 2008 2010 2012 2014 2016 2018 2020 2022 2024

Selected Sectors (current rank in parentheses, 1=best)

BA500

Communication Services: Marketweight effective 2/13/25

Key Takeaways

- Communication Services was the third-worst performing sector in March.

- Mag 7 relative valuations are cheapest since at least 2016.

- The sector saw model improvement in March but remains a marketweight recommendation.

Communication Services fell 8.4% in March, in line with the other Growth sectors. For the year, however, the sector has held up better, down 6.4% in Q1 versus double-digit losses for Technology and Consumer Discretionary. While Alphabet, the sector's largest constituent, fell 18.3% in Q1, Meta, its second biggest member, fell just 1.6%, best among the Mag 7 components. Whether or not the mega-caps can regain their footing will dictate whether Growth sectors are able to bounce back in Q2.

Key drivers: Earnings estimates for 2025 have held up for the Mag 7. While the DeepSeek development and tariffs have called into question the long-term outlooks for the stocks, analysts have been reluctant to lower expectations. The combination of the downshift in returns and resilient estimates has led a drop in relative valuations. The Mag 7 relative forward P/E ratio was at its lowest reading since at least 2016.

Indicators to watch: Despite the weak month for Communication Services, the sector saw sector model composite improvement in March. Better relative performance turned the sector's Price Deviation from Trend and Relative Overbought/Oversold indicators bullish. Additionally, better earnings revision trends turned the sector's Earnings Revision Breadth indicator bullish on March 7. The sector had the second-highest overall composite score at month end, but the model remained marketweight the sector, matching our recommendation.
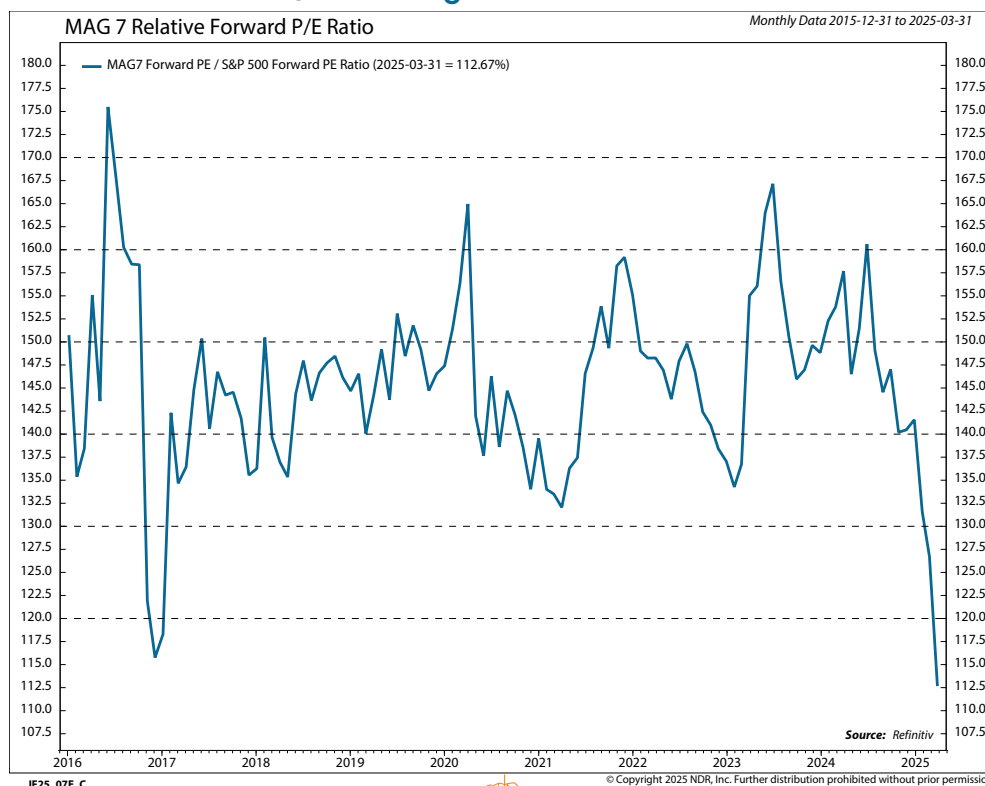
Sector positives	Sector negatives
• Sector's relative Volume Supply/Demand indicator remains bullish	• Capex surge from mega-caps represent a risk if market turns lower
• Telecom Services industries were among the top performers in Q1.	• EPS growth from Meta and Alphabet to slow in 2025
• Sector's earnings revisions breadth indicator turned bullish in March	• Tariffs uncertainty has hit tech names hard

Relative forward P/E for Mag 7 is lowest since at least 2016

MAG 7 Relative Forward P/E Ratio — Monthly Data 2015-12-31 to 2025-03-31
MAG7 Forward PE / S&P 500 Forward PE Ratio (2025-03-31 = 112.67%)
Source: Refinitiv
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Consumer Discretionary: Marketweight effective 3/13/25

Key Takeaways

- Consumer Discretionary fell 9% in March and was the worst performer in Q1.

- The sector's mega-caps have been the biggest drag on the sector.

- The model remains marketweight, matching our recommendation on the sector.

Consumer Discretionary followed up its 9.4% decline in February with a 9.0% drop in March. The sector's mega-caps continued to be a drag, with both Amazon and Tesla down double-digits during the month. The sector finished Q1 down 14.0%, its worst quarter since Q1 2022. While the sector model turned more bearish on Consumer Discretionary during the month, it remained marketweight the sector, matching our recommendation.

Key drivers: The high and rising levels of market concentration had rarely proved a problem for stocks since the cyclical bull began in September 2022. The largest companies have often been leaders of the bull market, driving concentration to record highs. The risk of a highly concentrated market is now on full display. The largest 10 stocks peaked at 39% of S&P 500 market cap in January. The pullback this year has been mega-cap driven, with the cap-weighted Mag 7 Index down 14% on the year

versus a 0.3% gain for the S&P 500 ex-Mag 7. Mag 7 weights at the sector level are much greater, making it nearly impossible for Growth sectors to perform well when the mega-caps are in downtrends.

Indicators to watch: While the sector model remains marketweight Consumer

Discretionary, the weak month resulted in two internal (price-based) model indicators turning bearish during the month. The sector's intermediate-term Moving Average Cross indicator is the only bullish holdout in its internal composite. Another weak month could be enough for the model to downgrade the sector to underweight.
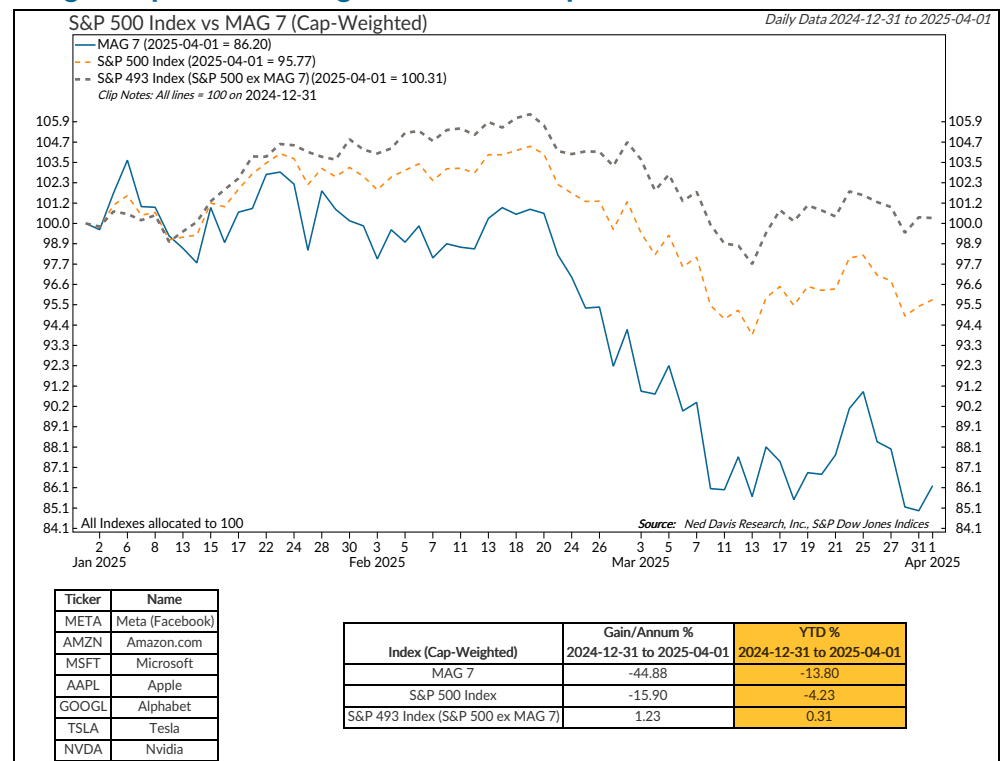
Sector positives	Sector negatives
• Relative valuations look more reasonable • NASDAQ sentiment has fallen out of extreme optimism • Homebuilders P/B reached extreme oversold levels	• Volume Supply/Demand indicator is bearish • Uncertain trade policy bearish for durables and textile industries • Among the weakest breadth profile of all sectors

Maga-caps have weighed down respective sectors and S&P 500

S&P 500 Index vs MAG 7 (Cap-Weighted)   Daily Data 2024-12-31 to 2025-04-01

— MAG 7 (2025-04-01 = 86.20)
— S&P 500 Index (2025-04-01 = 95.77)
— S&P 493 Index (S&P 500 ex MAG 7)(2025-04-01 = 100.31)
Clip Notes: All lines = 100 on 2024-12-31

All Indexes allocated to 100   Source: Ned Davis Research, Inc., S&P Dow Jones Indices

Ticker	Name
META	Meta (Facebook)
AMZN	Amazon.com
MSFT	Microsoft
AAPL	Apple
GOOGL	Alphabet
TSLA	Tesla
NVDA	Nvidia

Index (Cap-Weighted)	Gain/Annum % 2024-12-31 to 2025-04-01	YTD % 2024-12-31 to 2025-04-01
MAG 7	-44.88	-13.80
S&P 500 Index	-15.90	-4.23
S&P 493 Index (S&P 500 ex MAG 7)	1.23	0.31

Customized version of DAVIS230D

Consumer Staples: Marketweight effective 8/8/24

Key Takeaways

- Consumer Staples outperformed by 300 basis points in March.

- Seasonality suggests cyclical sectors could gain the upper hand in April.

- The sector model remained marketweight at its month-end update.

While Consumer Staples did not hold up as well as other defensive sectors in what was a risk-off month for leadership in March, it did outperform. The sector was down 2.8% during the month versus a 5.8% decline for the S&P 500. In total, five of the sector's six industries outperformed in March, but the Distribution & Retail industry was the biggest drag, down 11%. The industry houses Walmart and Costco and both have been weak since reporting Q4 earnings. However, if we look to shift more defensive in April, we will likely add exposure to the sector.

Key drivers: The rotation back towards defensive sectors over the last couple of months has been in line with the four-year presidential cycle. Historically, after an initial cyclical surge post-election, defensive sectors gain the upper hand for around three months, on average. However, we are now entering a phase that has seen leadership shift back towards cyclical sectors. If defensive sectors continue to lead

in April despite the seasonal headwind, it would be a bearish sign for stocks.

Indicators to watch: Consumer Staples saw modest sector model composite improvement in March, as cyclical sector credit spreads rose versus food sector credit spreads, a bearish signal for the

economy and bullish for low beta sectors like Consumer Staples. The sector's overall composite score, however, remains in the middle of the pack and the model maintained its marketweight recommendation on the sector, matching our recommendation.
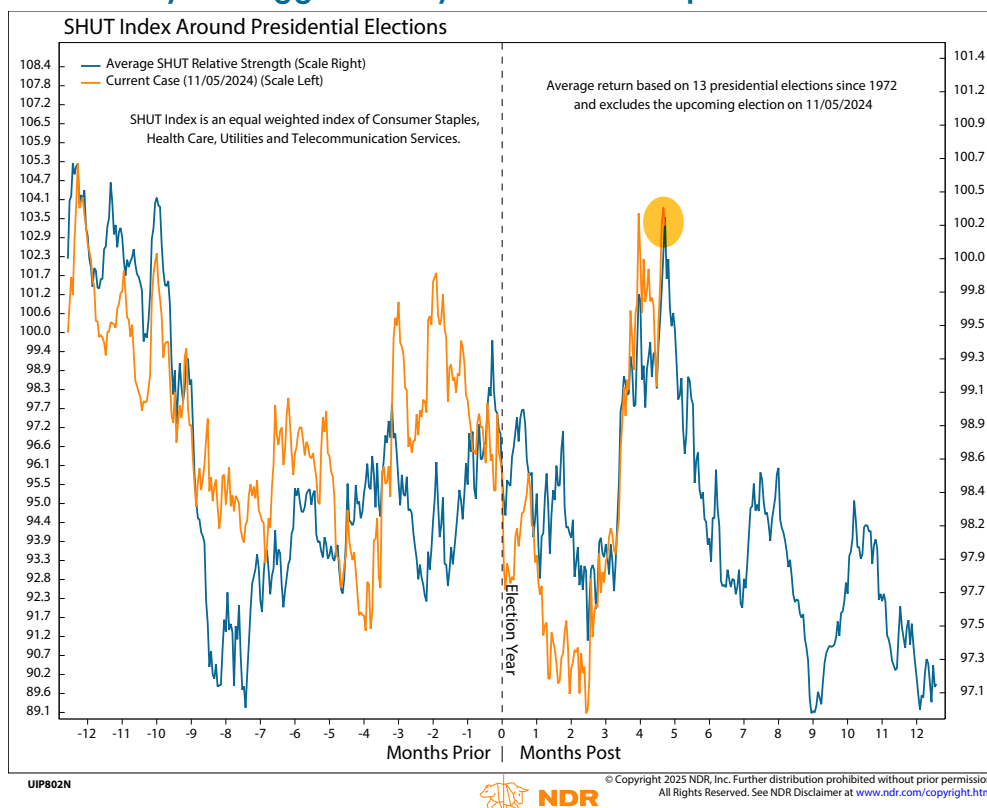
Sector positives	Sector negatives
• Consumer Staples' relative P/E ratio is below its long-term average	• NDR Daily Sentiment Composite is in extreme pessimism, bullish for cyclical sectors, historically
• Economic Surprise Index shows more data missing expectations than beating, bullish for defensive sectors	• S&P 500 cyclical composite turns higher in April, bearish for defensive sectors
• Policy uncertainty could lead to more volatile 2025	• Only 63% of companies reporting Q4 earnings beat on bottom line estimates

Election cycle suggests a cyclical shift in April

SHUT Index Around Presidential Elections

— Average SHUT Relative Strength (Scale Right)
— Current Case (11/05/2024) (Scale Left)

SHUT Index is an equal weighted index of Consumer Staples, Health Care, Utilities and Telecommunication Services.

Average return based on 13 presidential elections since 1972 and excludes the upcoming election on 11/05/2024

Election Year

Months Prior | Months Post

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Energy: Marketweight effective 12/19/24

Key Takeaways

- Energy was the top performer in March and in Q1.

- Several indicators for crude, including sentiment, short positioning, and inventories, look positive.

- The model remained marketweight Energy, matching our recommendation on the sector.

Energy was the top-performing sector in March, rising 3.8% versus a 5.8% decline for the S&P 500. For Q1, the sector was up an impressive 9.3% versus a 4.6% drop in the broad index, also best among all sectors. The selloff to begin the year has reaffirmed Energy's spot as the top defensive sector, with the sector outperforming the S&P 500 in the last 14 S&P 500 selloffs of 5% or more. As long as inflation remains a top concern for investors, the relationship is likely to hold.

Key drivers: Crude prices finished March up over 2%, with WTI ending the month above $71 for the first time since February. Geopolitical tensions, from U.S. strikes on Houthi encampments in Yemen to potential second order tariffs on recipients of Venezuelan crude, cloud supply and demand forecasts. However, sentiment reversing from excessive pessimism coupled with short-term indicators with bullish readings, like Managed Money Short Positions and the Petroleum Inventories,

illustrate the potential for a tactical rally. Note that our commodities team remains neutral on crude and bullish on commodities generally.

Indicators to watch: Energy's sector model score was little changed in March, with the sector's composite score fifth best at month end. Several indicators, including 200-Day Breadth and Crude Oil Spot Price, moved towards their bullish thresholds but remain on sell signals. Another few good weeks for the sector could turn some more longer-term indicators bullish. For now, we side with the model and remain marketweight.
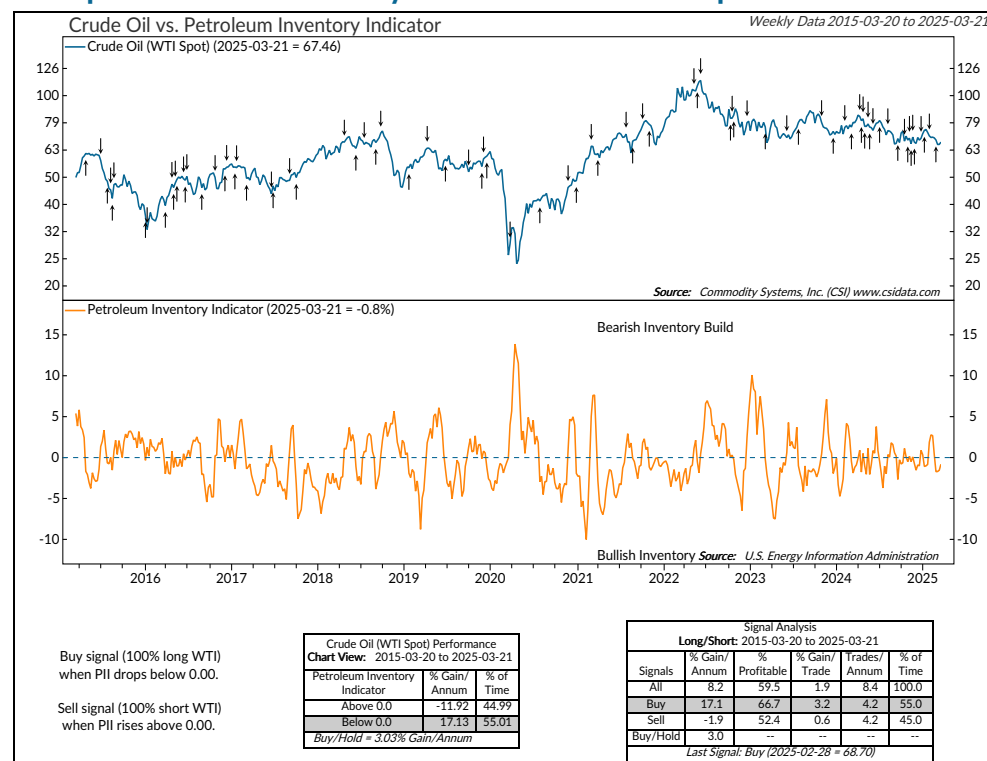
Sector positives	Sector negatives
• U.S. reserves are depleted and will need to be refilled	• Saudi Arabia is set to begin increasing production in 2025
• Crude Managed Money Short indicator remains on September buy signal	• Economic surprises have been low in U.S., bearish for crude historically
• Energy Supply/Demand indicator turned bullish in March	• Slower growth due to tariffs could weigh on crude demand

Low petroleum inventory is bullish for crude prices

Crude Oil vs. Petroleum Inventory Indicator — Weekly Data 2015-03-20 to 2025-03-21

Crude Oil (WTI Spot) (2025-03-21 = 67.46)

Source: Commodity Systems, Inc. (CSI) www.csidata.com

Petroleum Inventory Indicator (2025-03-21 = -0.8%)

Bearish Inventory Build

Bullish Inventory Source: U.S. Energy Information Administration

Buy signal (100% long WTI) when PII drops below 0.00.

Sell signal (100% short WTI) when PII rises above 0.00.

Crude Oil (WTI Spot) Performance Chart View: 2015-03-20 to 2025-03-21		
Petroleum Inventory Indicator	% Gain/ Annum	% of Time
Above 0.0	-11.92	44.99
Below 0.0	17.13	55.01
Buy/Hold = 3.03% Gain/Annum		

Signal Analysis Long/Short: 2015-03-20 to 2025-03-21					
Signals	% Gain/ Annum	% Profitable	% Gain/ Trade	Trades/ Annum	% of Time
All	8.2	59.5	1.9	8.4	100.0
Buy	17.1	66.7	3.2	4.2	55.0
Sell	-1.9	52.4	0.6	4.2	45.0
Buy/Hold	3.0	--	--	--	--
Last Signal: Buy (2025-02-28 = 68.70)					

Customized version of ESX1075C

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Financials: Overweight effective 11/6/24

Key Takeaways

- Financials was a modest outperformer in March.

- Indicator evidence deteriorated during the month.

- We have the sector on watch for a downgrade.

While far from a great month for Financials, with the sector falling 4.3%, it still managed to beat the S&P 500's 5.8% decline. Industry performance within the sector diverged during the month, with the Insurance and Financials Services industries outperforming, while Banks, Capital Markets, and Consumer Finance all lagged. With the sector losing momentum among tariff uncertainty, the weight of the evidence has turned more cautious, and we have the sector on watch for a downgrade.

Key drivers: Two of the macro drivers we watch closely for Financials are the yield curve and loan growth. The sector's Yield Curve model indicator turned bearish on February 21 for the first time in over a year but is fast approaching another buy signal as the yield curve steepened during the month. The other factor, loan growth, has remained weak. Financials' Banks Loan Growth indicator has seen progress stall and remains on its June 2023 sell signal.

Indicators to watch: A trend and volatility indicator in the sector's internal (price-based) composite turned bearish in March to go along with valuation- and dollar-based indicators in the sector's external (non-price-based) composite. The sector saw its model score fall the most during the month and the model downgraded the sector to marketweight. Additionally, our Banks Scorecard turned bearish on the industry on March 18. We have Financials on watch for a downgrade.
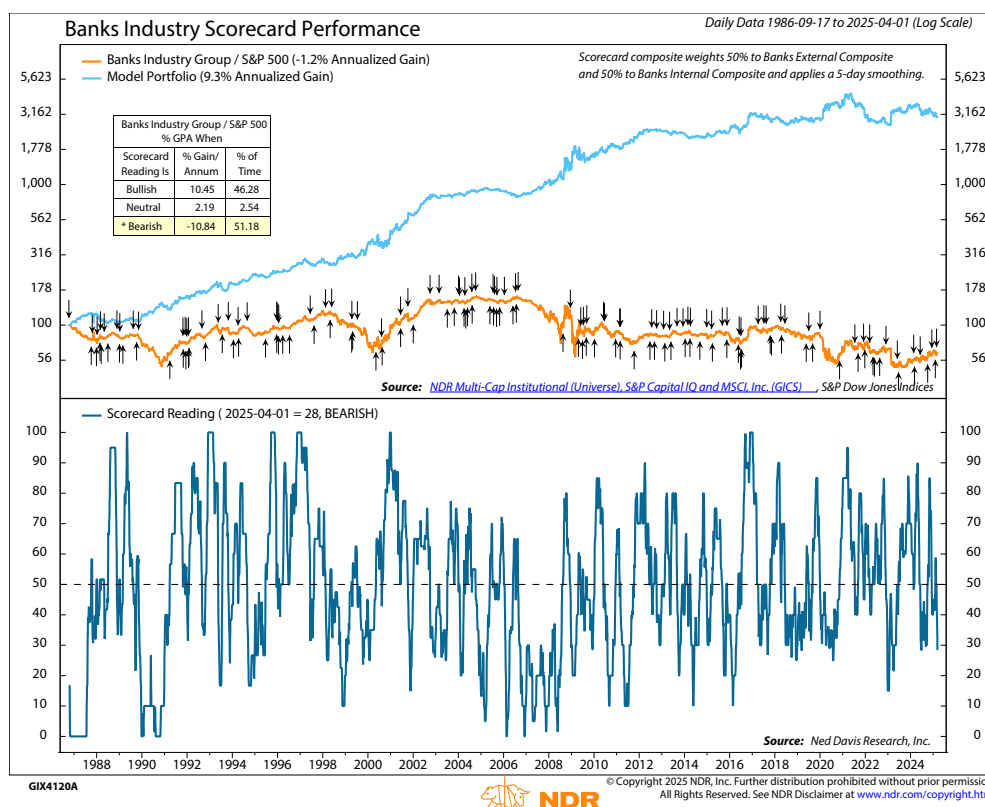
Sector positives	Sector negatives
• Berkshire Hathaway, the sector's largest company, is up almost 20% on the year.	• Tariffs could weigh negatively on growth and investment
• Four of six curve composite models are in their steepening zones	• A weak dollar is historically bearish for the sector
• Sector could benefit from deregulation	• Financials has been the poorest performer when inflation is rising

Banks Scorecard turned bearish in March

Banks Industry Scorecard Performance — Daily Data 1986-09-17 to 2025-04-01 (Log Scale)

Banks Industry Group / S&P 500 (-1.2% Annualized Gain)
Model Portfolio (9.3% Annualized Gain)

Scorecard composite weights 50% to Banks External Composite and 50% to Banks Internal Composite and applies a 5-day smoothing.

Banks Industry Group / S&P 500 % GPA When		
Scorecard Reading Is	% Gain/ Annum	% of Time
Bullish	10.45	46.28
Neutral	2.19	2.54
* Bearish	-10.84	51.18

Source: NDR Multi-Cap Institutional (Universe), S&P Capital IQ and MSCI, Inc. (GICS), S&P Dow Jones Indices

Scorecard Reading (2025-04-01 = 28, BEARISH)

Source: Ned Davis Research, Inc.

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Health Care: Marketweight effective 2/13/25

Key Takeaways

- Health Care was the third-best performer in March.

- The sector looks relatively cheap and is long-term oversold.

- We upgraded Health Care to marketweight on February 13.

Health Care held up relatively well in March. While the S&P 500 was down 5.8% during the month, Health Care was down less than 2%. The sector finished Q1 up 6.0%, second best among all sectors. Despite the strong start to the year, Health Care remains longer-term oversold after the historically weak bull market for the setor that began in September 2022. If we shift more defensive in April, we will likely add to Health Care's allocation.

Key drivers: Heading into both the 2016 and 2024 elections, Health Care was weak relative to the S&P 500. Back then, uncertainty regarding how Trump and a Republican-controlled Congress would handle the campaign promise to repeal and replace the ACA hung over the sector post- election. Trump's choice of Robert F. Kennedy Jr. to lead the Department of Health and Human Services and the newly created Department of Government Efficiency (DOGE) have kept the outlook

for the sector uncertain this cycle as well. However, peak pessimism may be behind us and the sector's relatively cheap valuation and oversold condition could mean there is more room for the sector to run.

Indicators to watch: Health Care entered the month with all its internal (price-based) indicators bullish. However, its Relative Strength Momentum indictor turned bearish on March 27. The sector's Earnings Revision Breadth indicator proved an offset, turning bullish on March 28, leaving the overall composite score for the sector unchanged. The model remains marketweight.
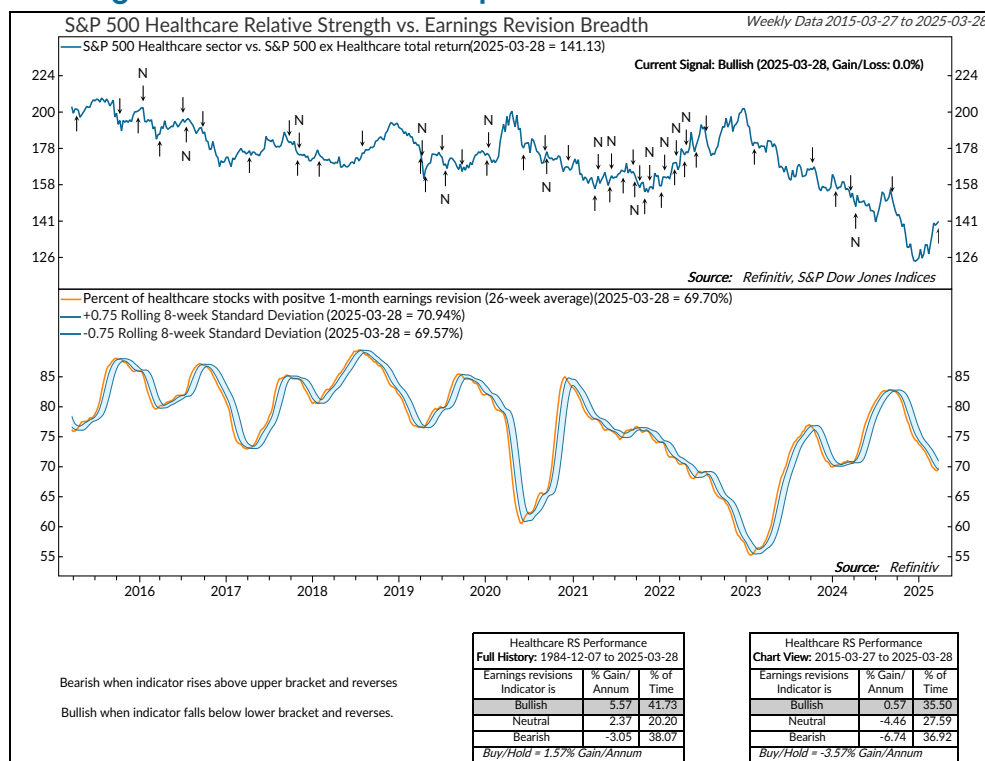
Sector positives	Sector negatives
- Health Care has historically performed well during easing cycles - Biotech and Pharma sentiment is at extreme pessimism - Sector remains about 1.0 standard deviation oversold versus S&P 500 (one- and three-year basis)	- External (macro-based) model composite is bearish - Inflation Reduction Act looks to reduce Medicare spending on prescription drugs - DOJ looking into UnitedHealth's billing practices

Earnings revisions breadth improved for Health Care

S&P 500 Healthcare Relative Strength vs. Earnings Revision Breadth   *Weekly Data 2015-03-27 to 2025-03-28*

— S&P 500 Healthcare sector vs. S&P 500 ex Healthcare total return(2025-03-28 = 141.13)

Current Signal: Bullish (2025-03-28, Gain/Loss: 0.0%)

Source: Refinitiv, S&P Dow Jones Indices

— Percent of healthcare stocks with positve 1-month earnings revision (26-week average)(2025-03-28 = 69.70%)
— +0.75 Rolling 8-week Standard Deviation (2025-03-28 = 70.94%)
— -0.75 Rolling 8-week Standard Deviation (2025-03-28 = 69.57%)

Source: Refinitiv

Bearish when indicator rises above upper bracket and reverses

Bullish when indicator falls below lower bracket and reverses.

Healthcare RS Performance **Full History:** 1984-12-07 to 2025-03-28		
Earnings revisions Indicator is	% Gain/ Annum	% of Time
Bullish	5.57	41.73
Neutral	2.37	20.20
Bearish	-3.05	38.07
Buy/Hold = 1.57% Gain/Annum		

Healthcare RS Performance **Chart View:** 2015-03-27 to 2025-03-28		
Earnings revisions Indicator is	% Gain/ Annum	% of Time
Bullish	0.57	35.50
Neutral	-4.46	27.59
Bearish	-6.74	36.92
Buy/Hold = -3.57% Gain/Annum		

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Industrials: Marketweight effective 1/18/24

Key Takeaways

- Industrials outperformed by 200 basis points in March.

- More capital spending could benefit the capex-heavy sector.

- The sector model remains marketweight, matching our recommendation.

Industrials was down almost 4% in March versus a nearly 6% decline for the S&P 500. Seven of the sector's 13 industries outperformed, led by Commercial Services & Supplies and Aerospace & Defense. The strong month led to indicator improvement, but the model remained marketweight at its month-end update, matching our recommendation on the sector.

Key drivers: Capital spending is key for Industrials as the Capital Goods industry group makes up two-thirds of the sector's market cap. In our 2025 Outlook, our macro team said it expects modest capex improvement next year to the mid-single digits. Rising business confidence post-election, accelerating high-tech investment, deregulation, expected tax cuts, and reshoring trends that may intensify under Trump all suggest a pickup in investment growth.

Indicators to watch: While the capex

outlook could improve next year if tax cuts get passed this year, the weight of the model evidence remains mixed. The sector's internal (price-based) composite leans bullish, with only two of six indicators on bearish signals. The sector's external (non-price-based) composite, however, leans bearish, with only three of the seven

indicators on bullish readings. The net result is a marketweight recommendation from the model, matching our recommendation on the sector.
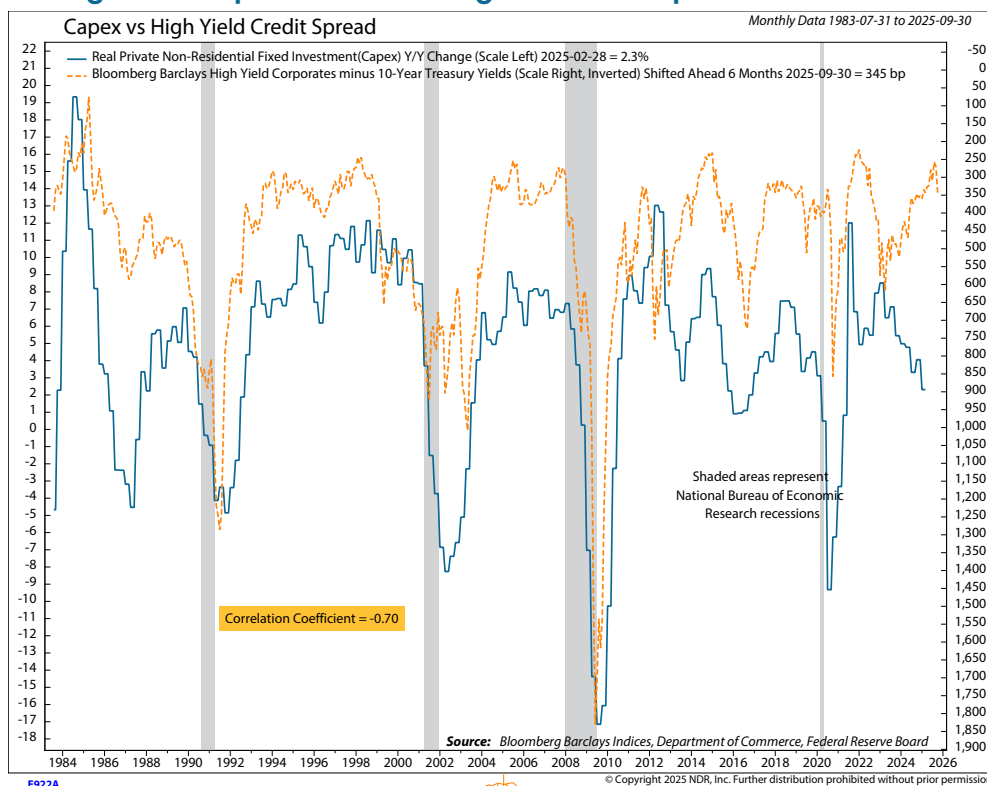
Sector positives	Sector negatives
• Airlines Scorecard remains bullish	• Tighter lending standards is bad for capex spending
• China stimulus and tight credit spreads suggest more capex spending	• One of the weakest breadth profiles among all sectors
• Sentiment is extremely pessimistic based on the sector's percentage of S&P 500 market cap	• Passenger Airlines industry was weak in March

Rising credit spreads are a negative for capex

Capex vs High Yield Credit Spread   *Monthly Data 1983-07-31 to 2025-09-30*

Real Private Non-Residential Fixed Investment(Capex) Y/Y Change (Scale Left) 2025-02-28 = 2.3%
Bloomberg Barclays High Yield Corporates minus 10-Year Treasury Yields (Scale Right, Inverted) Shifted Ahead 6 Months 2025-09-30 = 345 bp

Correlation Coefficient = -0.70

Shaded areas represent National Bureau of Economic Research recessions

Source: *Bloomberg Barclays Indices, Department of Commerce, Federal Reserve Board*

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Information Technology: Marketweight effective 12/19/24

Key Takeaways

- Technology was the second-worst performer in March and in Q1.

- Weak Q1 momentum has tended to persist for the sector.

- However, seasonality and sentiment suggest potential for a bounce, and we remain marketweight.

Indicators to watch: The bearish message from the study is somewhat offset by S&P 500 and Nasdaq seasonality, which is set to turn bullish to begin April, as well as from the Hulbert Nasdaq Sentiment Composite, which reached extreme pessimism for the first time since October 2023. The sector's model composite score was unchanged in March, however, another few weeks of underperformance could shift the weight of the evidence more decisively bearish. We side with the model for now and remain marketweight.
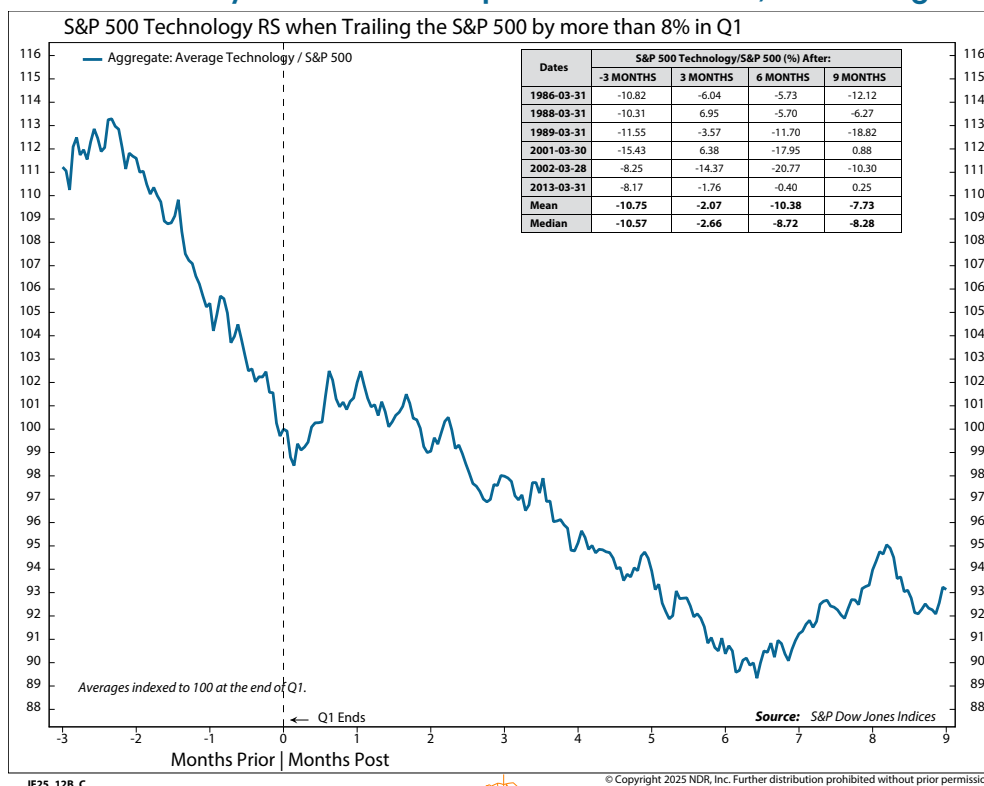
Sector positives	Sector negatives
• Sector's Volume Supply/Demand indicator is bullish • Apple, Nvidia and Microsoft all beat Q4 earnings estimates • Mag 7 valuations based on forward estimates look reasonable	• Trump trade war could hurt tech multinationals and make earnings misses more likely • Massive capex spending on AI has come under more investor scrutiny • Relative breadth trends are bearish for the sector

Technology ended Q1 with a whimper, falling 9.0% during the month to bring its total loss on the year to 12.8%. With the sector's big three of Apple (-8.2%), Nvidia (-13.2%), and Microsoft (-5.4%) starting March at roughly 60% of Technology's market cap, the weak showing from the group has made it difficult for the sector to perform well.

Key drivers: Technology trailed the S&P 500 by 8.6% in Q1, the sector's worst quarter since Q2 2006 and its worst Q1 since 2001. During the 13 prior cases of the sector trailing the S&P 500 by more than 4% in Q1, weakness has tended to persist. On average, Technology saw additional underperformance in both Q2 and Q3 before reversing higher and outperforming in Q4. However, extreme underperformance cases have had an even more bearish message. Following the six Q1s when Technology underperformed by more than 8%, the sector went on to underperform by an additional 10.4% six months later, on average.

Remainder of year weak after poor Q1s for Tech, on average

S&P 500 Technology RS when Trailing the S&P 500 by more than 8% in Q1

— Aggregate: Average Technology / S&P 500

Dates	S&P 500 Technology/S&P 500 (%) After:			
	-3 MONTHS	3 MONTHS	6 MONTHS	9 MONTHS
1986-03-31	-10.82	-6.04	-5.73	-12.12
1988-03-31	-10.31	6.95	-5.70	-6.27
1989-03-31	-11.55	-3.57	-11.70	-18.82
2001-03-30	-15.43	6.38	-17.95	0.88
2002-03-28	-8.25	-14.37	-20.77	-10.30
2013-03-31	-8.17	-1.76	-0.40	0.25
Mean	-10.75	-2.07	-10.38	-7.73
Median	-10.57	-2.66	-8.72	-8.28

Averages indexed to 100 at the end of Q1.

← Q1 Ends

Months Prior | Months Post

Source: S&P Dow Jones Indices

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Materials: Underweight effective 8/8/24

Key Takeaways

- Materials was the fifth-best performer in March.

- Rising natural gas prices have weighed negatively on the Chemicals industry.

- The model upgraded Materials to marketweight and we have the sector on watch for an upgrade.

Despite the weak month for stocks, several cyclical sectors, including Materials, held up relatively well in March. While Materials was down 2.9%, it outpaced the S&P 500, which fell 5.8%. In total, three of the sector's five industries outperformed during the month, led by the nearly 5% gain from Metals & Mining. The sector model upgraded Materials to marketweight at its month-end update and we have the sector on watch for an upgrade.

Key drivers: Commodities are a key macro driver for Materials. Metal prices influence the sector's mining companies, while natural gas represents an input cost for chemical companies. Commodities have broadly performed well to begin the year. If the strength persists, Metals & Mining could continue to benefit. Rising natural gas prices, however, are a risk for Chemicals. Natural gas futures are up 29% over the last six months, a level that has been consistent with underperformance from the industry. A

natural gas downshift would be a welcomed development for Chemicals.

Indicators to watch: While the Natural Gas Futures Momentum indicator in Materials external (non-price-based) composite remains bearish, its Gold Futures Momentum indicator turned bullish on March 19, to go

along with bullish improvements from trend and overbought/oversold indicators in the sector's internal (price-based) composite. Overall, the weight of the evidence still leans bearish but improved enough for the model to upgrade the sector from underweight to marketweight. We have the sector on watch for an upgrade.
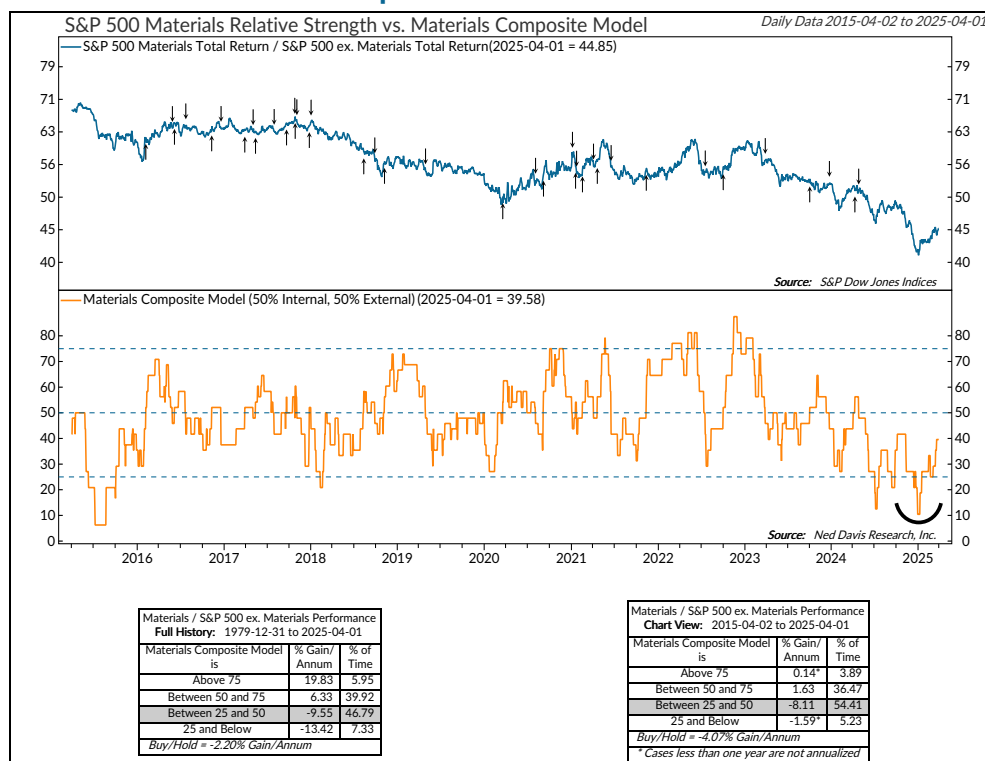
Sector positives	Sector negatives
• Gold miners have underperformed bullion prices and could mean revert	• Rising natural gas prices are bearish for Chemicals
• Materials is extremely oversold	• It has been the weakest bull market on record for Materials
• Clean energy transition and AI data center buildout should support copper prices	• Falling China Credit Impulse Index suggests weak metal prices in 2025

Materials saw model improvement in March

S&P 500 Materials Relative Strength vs. Materials Composite Model
Daily Data 2015-04-02 to 2025-04-01

S&P 500 Materials Total Return / S&P 500 ex. Materials Total Return (2025-04-01 = 44.85)

Source: S&P Dow Jones Indices

Materials Composite Model (50% Internal, 50% External) (2025-04-01 = 39.58)

Source: Ned Davis Research, Inc.

Materials / S&P 500 ex. Materials Performance Full History: 1979-12-31 to 2025-04-01		
Materials Composite Model is	% Gain/Annum	% of Time
Above 75	19.83	5.95
Between 50 and 75	6.33	39.92
Between 25 and 50	-9.55	46.79
25 and Below	-13.42	7.33
Buy/Hold = -2.20% Gain/Annum		

Materials / S&P 500 ex. Materials Performance Chart View: 2015-04-02 to 2025-04-01		
Materials Composite Model is	% Gain/Annum	% of Time
Above 75	0.14*	3.89
Between 50 and 75	1.63	36.47
Between 25 and 50	-8.11	54.41
25 and Below	-1.59*	5.23
Buy/Hold = -4.07% Gain/Annum		
* Cases less than one year are not annualized		

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Real Estate: Underweight effective 2/13/25

Key Takeaways

- Real Estate outperformed by almost 300 basis points in March.

- The sector has been a good inflation hedge, historically.

- We remain underweight for now.

Real Estate was down 3.0% in March and finished Q1 up 2.7%, outpacing the S&P 500 over both periods. While nine REITs sub-industries outperformed during the month, Telecom Tower REITs was the only one with a positive return. Three sub-industries registered double-digit losses (Hotel & Resort REITs, Data Center REITs, and Office REITs).

Key drivers: Two macro drivers we are watching are credit spreads and inflation. Credit spreads have begun to widen, and Real Estate has tended to struggle when its high yield – investment grade spread has been above its long-term average. The spread moved higher in March and is on the cusp of giving a bearish signal for the sector. We are also watching inflation trends. Our macro team's Growth and Inflation Regime Report shows the current environment of rising growth and neutral inflation has tended to be bearish for Real Estate. The analysis shows that the sector has proven

a good inflation hedge but has often been vulnerable when growth has been weak. If the economy remains resilient while tariffs lead to an inflation resurgence, the macro backdrop could turn more supportive of Real Estate.

Indicators to watch: Real Estate saw modest composite score improvement in March as its Unemployment Data indicator turned bullish at the end of the month. The weight of the indicator evidence, however, leans bearish. The sector had the second-lowest overall composite score, and our REITs Scorecard turned bearish on March 4. We remain underweight for now.

Sector positives	Sector negatives
• Demographics are a long-term tailwind for Health Care REITs	• Inflationary fiscal policy could lead to higher yields
• NDR's Recession Watch Report shows little risk of recession in near term	• REITs Scorecard turned bearish in March
• Yields have trended lower since January highs	• Yields tend to bottom around first cut in non-recession easing cycles

Real Estate has been good inflation hedge

S&P 500: Real Estate vs. Growth and Inflation Regimes   Monthly Data 2016-09-30 to 2025-03-31

S&P 500 Real Estate Total Return (2025-03-31 = 650.05)   Source: S&P Dow Jones Indices

Composite Leading Index (Year-to-Year Change)   Source: The Conference Board, NDR Calculation

Light shading indicates contractional periods. Dark shading indicates rising growth periods
Regimes start one month after peak/trough. Current regime subject to reclassification

Consumer Price Index (Year-to-Year Change) (2025-02-28 = 2.8%)   Source: Bureau of Labor Statistics

Light shading indicates falling inflation periods. Dark shading indicates rising inflation periods
Regimes start one month after peak/trough. Current regime subject to reclassification

Show real returns
Show relative returns

S&P 500: Real Estate Performance						
Full History: 2016-09-30 to 2025-03-31						
		Inflation				
Current Regime: Growth Rising Inflation Neutral		Rising		Neutral		Falling
		% Gain/ Annum	% of Time	% Gain/ Annum	% of Time	% Gain/ Annum	% of Time
Growth	Rising	1.2*	1.0	10.3	54.9	-4.4*	5.8
	Stable	5.1	11.8	19.8*	8.8	N/A	0.0
	Weak	1.0*	2.0	-5.1*	9.8	-6.5*	5.9
Buy / Hold = 6.65% Gain/Annum						
* Cases less than one year are not annualized						

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Utilities: Overweight effective 3/13/25

Key Takeaways

- Utilities outperformed by almost 600 basis points in March.

- Breadth has been the strongest among all sectors and model remains overweight.

- We upgraded the sector to overweight on March 13.

Both the sector's internal (price-based) and external (non-price-based) model composites lean bullish. While seasonality suggests stocks could perform better starting in April, we will need to see it before turning more aggressive on cyclical sectors. We remain overweight Utilities for now, matching the sector model's recommendation.

Sector positives	Sector negatives
• Relative P/E remains attractive • A.I. buildout is a tailwind for demand • A Trump tax cut extension could benefit capex-heavy sectors and industries	• Better performance of copper relative to gold turned the sector's Copper/Gold indicator bearish on March 14. • Net debt to cash flow ratio near record high • Dividend yield looks less attractive versus bonds

Utilities' low beta has proven a valuable attribute to begin 2025. The sector was flat in March versus a 5.8% decline for the S&P 500. For Q1, Utilities was up 4.1% compared to a 4.6% drop by the broad index. We turned more defensive in March and upgraded the sector to overweight.

Key drivers: The year-to-date relative strength shown by Utilities has been the best since last summer, when the sector was caught up in the AI trade. Unlike then, when Utilities was outpacing a fast-rising S&P 500, recent outperformance has come by the sector maintaining value while the broad index declines. Sector participation has been broad based, with the sector having the most issues trading above moving averages ranging from 5 days to one year.

Indicators to watch: Utilities' sector model score was unchanged in March and the sector finished the month with the highest composite score for the third-straight month.

Utilities' breadth profile is strongest of all sectors

% Of Stocks Above MAs (5 to 252) - Profile For 04/01/2025

Index	% Above 50-Day MA	% Above 200-Day MA	Index	% Above 50-Day MA	% Above 200-Day MA
Utilities	69.4	64.9	Energy	33.6	31.8
Financials	26.2	43.3	Industrials	17.5	26.8
Consumer Staples	44.5	40.6	Information Technology	11.3	26.7
Communication Services	26.7	33.3	Consumer Discretionary	16.8	24.2
Materials	31.9	32.6	Health Care	14.7	20.9
Real Estate	31.5	32.5			

Source: Ned Davis Research, Inc.

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Disclaimer

Recommendations

NDR's sector team uses a quantitative sector model as the primary guide to deriving our recommendations. The model is designed to identify sectors and industries with the strongest fundamental (macro, economic, valuation, profitability) and technical price trends. Our team uses the model as the framework for our tactical shifts around longer-term fundamental themes. As a discipline, our recommendations are put on a "short leash" if they rank opposite the model's top and bottom quintiles, unless industry-specific influences can be shown to dominate.

Some sectors receive "over-," "market-," or "under-" weight recommendations, which means that the research firm recommends that more, the same, or less of the sector should be held in your portfolio than is held in the market.

ALPS Portfolio Solutions Distributor, Inc., a registered broker-dealer, is distributor for the Select Sector SPDR Trust

See the signals.™

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