NDR
NED DAVIS RESEARCH

NDR Sector Views

AUGUST 5, 2025

Tech surge lifted stocks to record in July

Tech on top again

While the S&P 500 continued its advance in July, only six of the 11 S&P 500 sectors finished the month with positive returns. Technology continued to lead the way, gaining 5.2% during the month and attributing 1.7% points of the S&P 500's 2.2% return. July marked the **fourth-straight month** that Technology led all sectors, the longest streak for the sector since our data starts in 1972.

Technology has been led by Nvidia and Microsoft. Both have outperformed since the April low and have made new absolute and relative strength highs. In contrast, Apple has remained in a relative downtrend and is more than 20% off its record close.

However, Apple is also now trading near the bottom of its five-year relative trading range, a level only breached during the reopening trade in 2021. A bounce from these levels would turn the Apple headwind into a tailwind for Technology

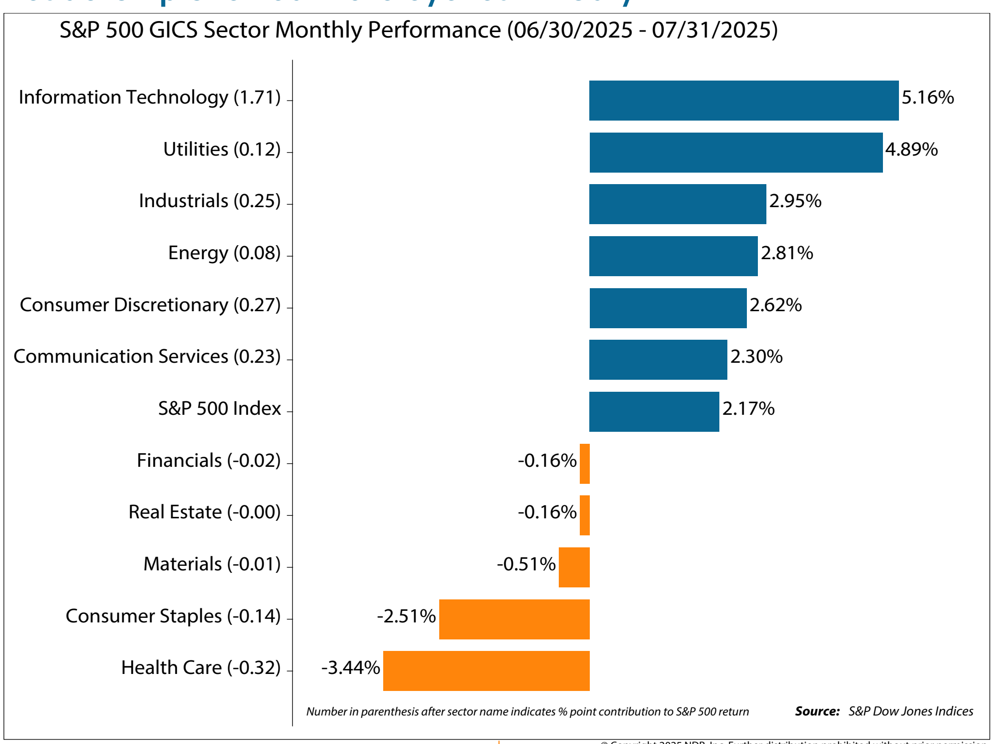
Apple is not the only Mag 7 member that has struggled. Tesla and Amazon both fell after reporting Q2 earnings. The divergence of returns has led to a **plummeting of the correlation between Mag 7 constituents to one of the lowest readings in the past decade**. The implication is that it is now more important than ever to discern between the tech-related mega-caps.

CURRENT RECOMMENDATIONS

Sector	Position	Recommended	Benchmark
Technology	Overweight	34%	30.1%
Consumer Discretionary	Marketweight	10%	10.6%
Communication Services	Marketweight	9%	9.2%
Consumer Staples	Marketweight	6%	6.5%
Energy	Marketweight	3%	3.7%
Financials	Marketweight	12%	12.6%
Health Care	Marketweight	12%	12.1%
Industrials	Marketweight	9%	8.5%
Utilities	Marketweight	3%	2.3%
Materials	Underweight	1%	2.3%
Real Estate	Underweight	1%	2.3%

● Overweight ● Marketweight ● Underweight

Leadership skewed more cyclical in July



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Seasonal implications

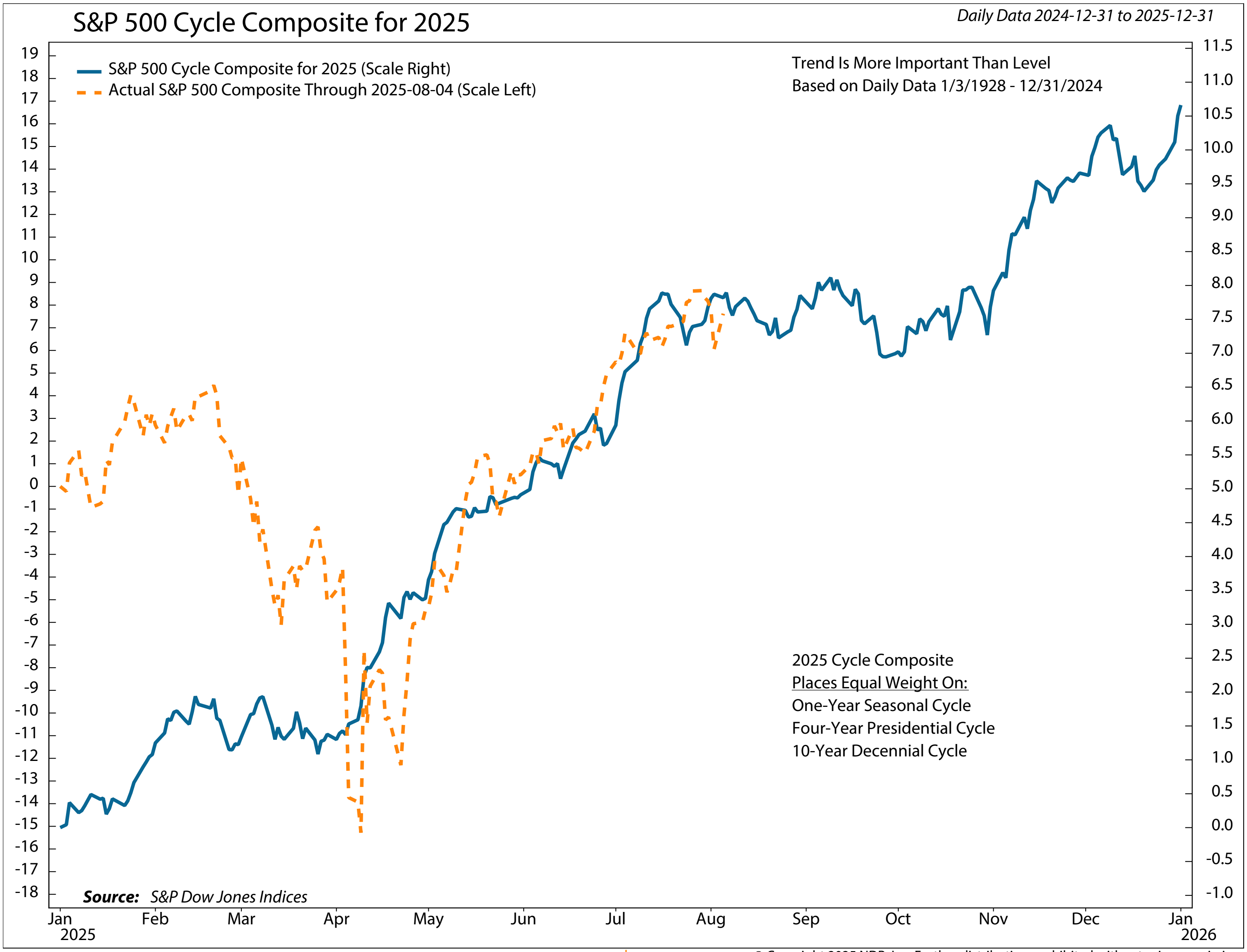
Defensive sectors have mostly trailed since the April low. Seasonal patterns suggest that could change in the near term. The NDR S&P 500 Cycle Composite shows a choppy downtrend in Q3 (chart, page 2), which could benefit the low-beta sectors on a relative basis. Additionally, the election-year cycle shows a brief leadership rotation into defensive sectors in August, before giving way to cyclical leadership to close out the year.

Model update

While the sector model has not completely gotten in line with the cautious seasonal messaging, it did turn more bullish on Utilities, upgrading the sector to overweight at its July month-end update. Additionally, the model upgraded Energy to overweight, and Industrials and Real Estate to marketweight, while Materials was downgraded to underweight.

The model is now overweight Technology, Energy, and Utilities, and underweight Materials. **We have Utilities and Real Estate on watch for upgrades.**

S&P 500 Cycle Composite shows a choppy downtrend in Q3



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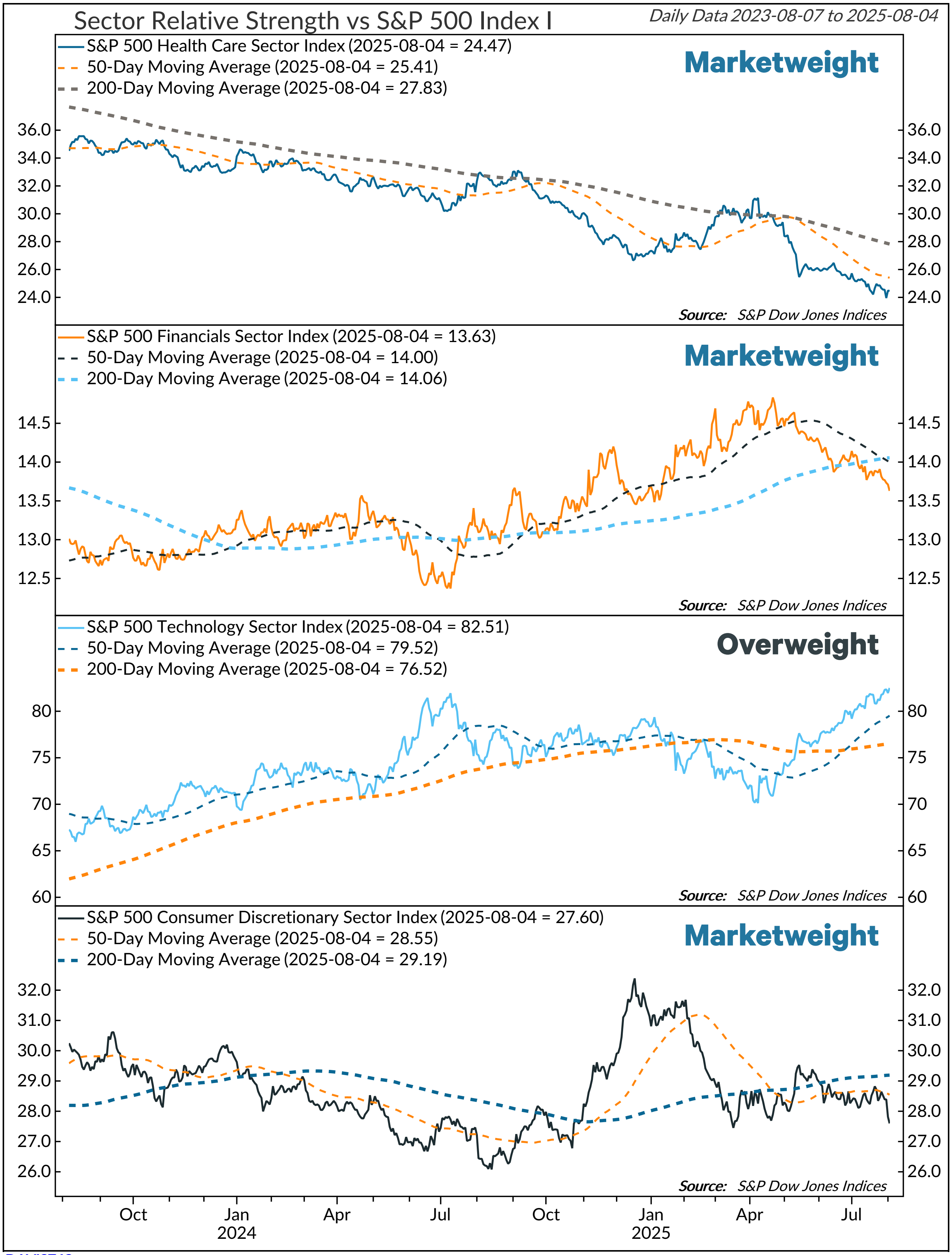
Financials back on a death cross



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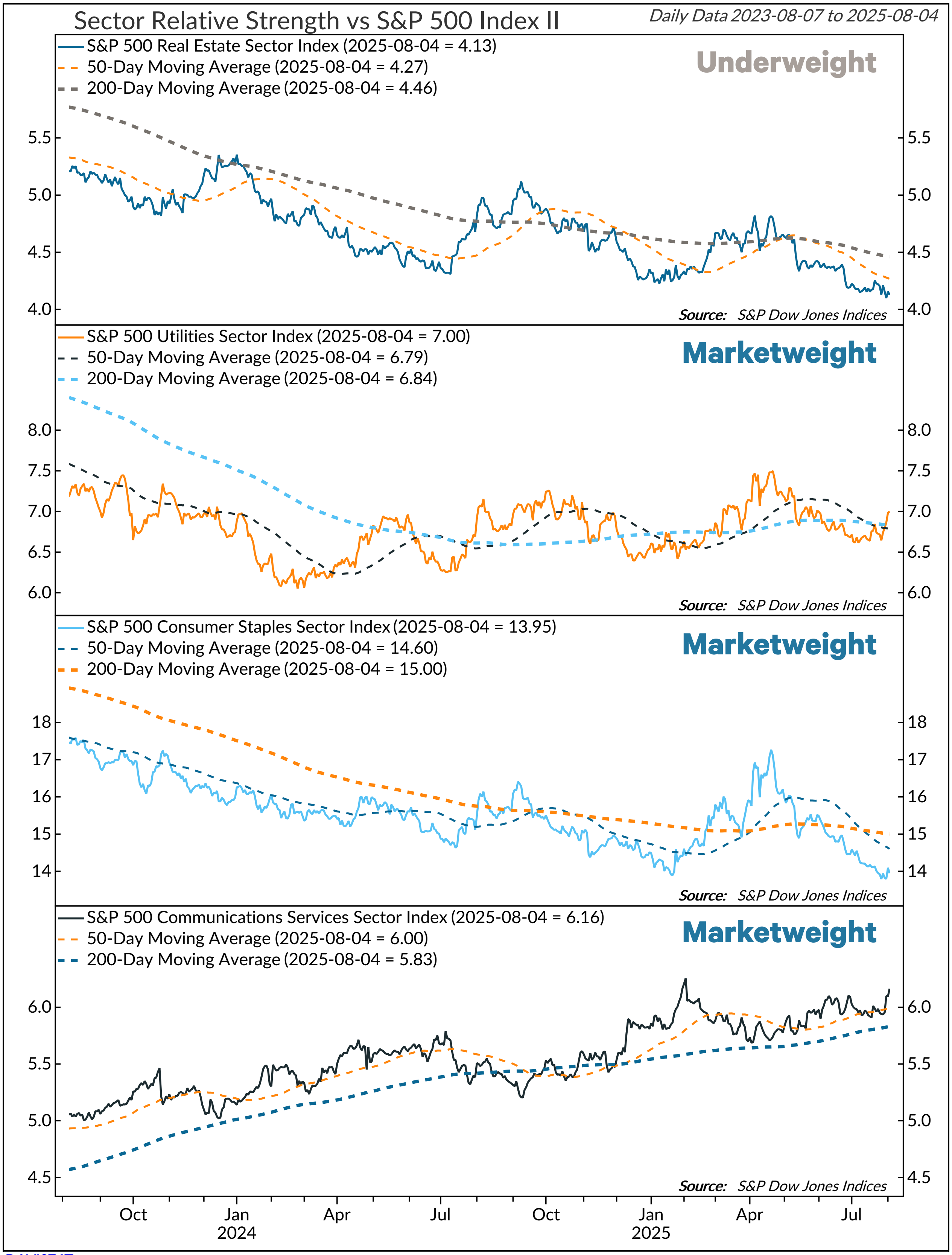
Utilities outperformed in July while other low-beta sectors lagged



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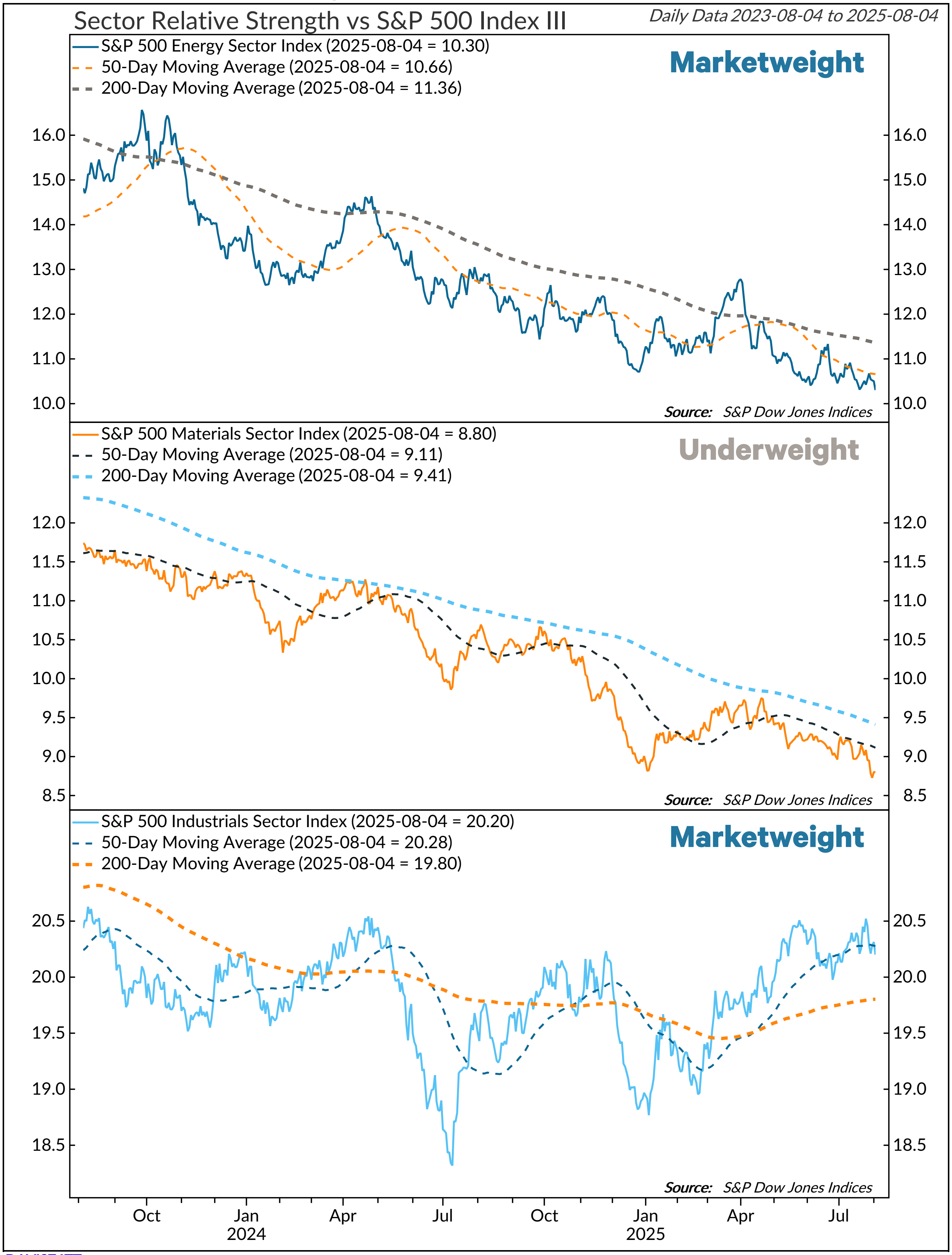
Commodity sectors of Energy and Materials continue to look weak



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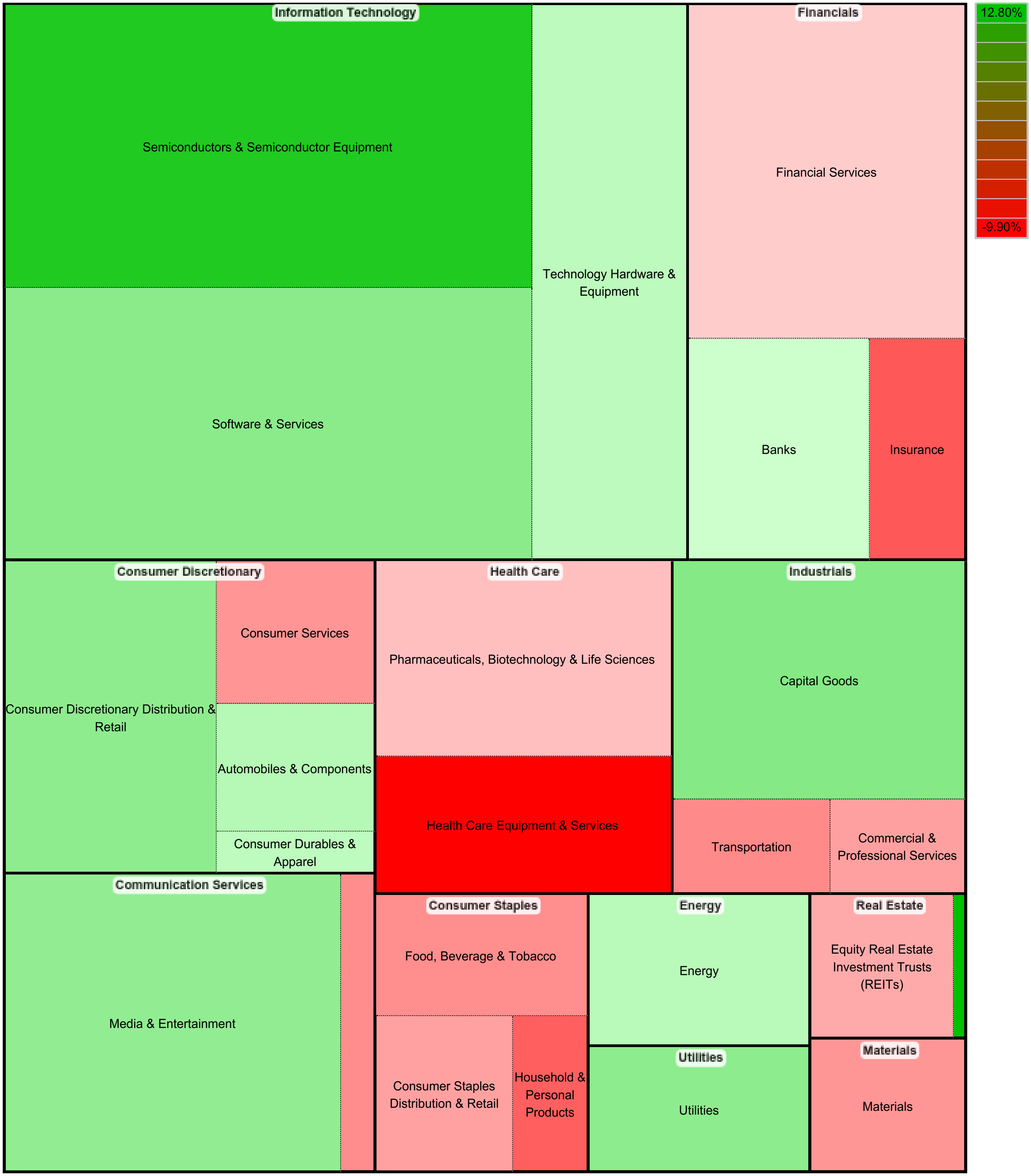
July 2025 S&P 500 Sector Return Heat Map



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.

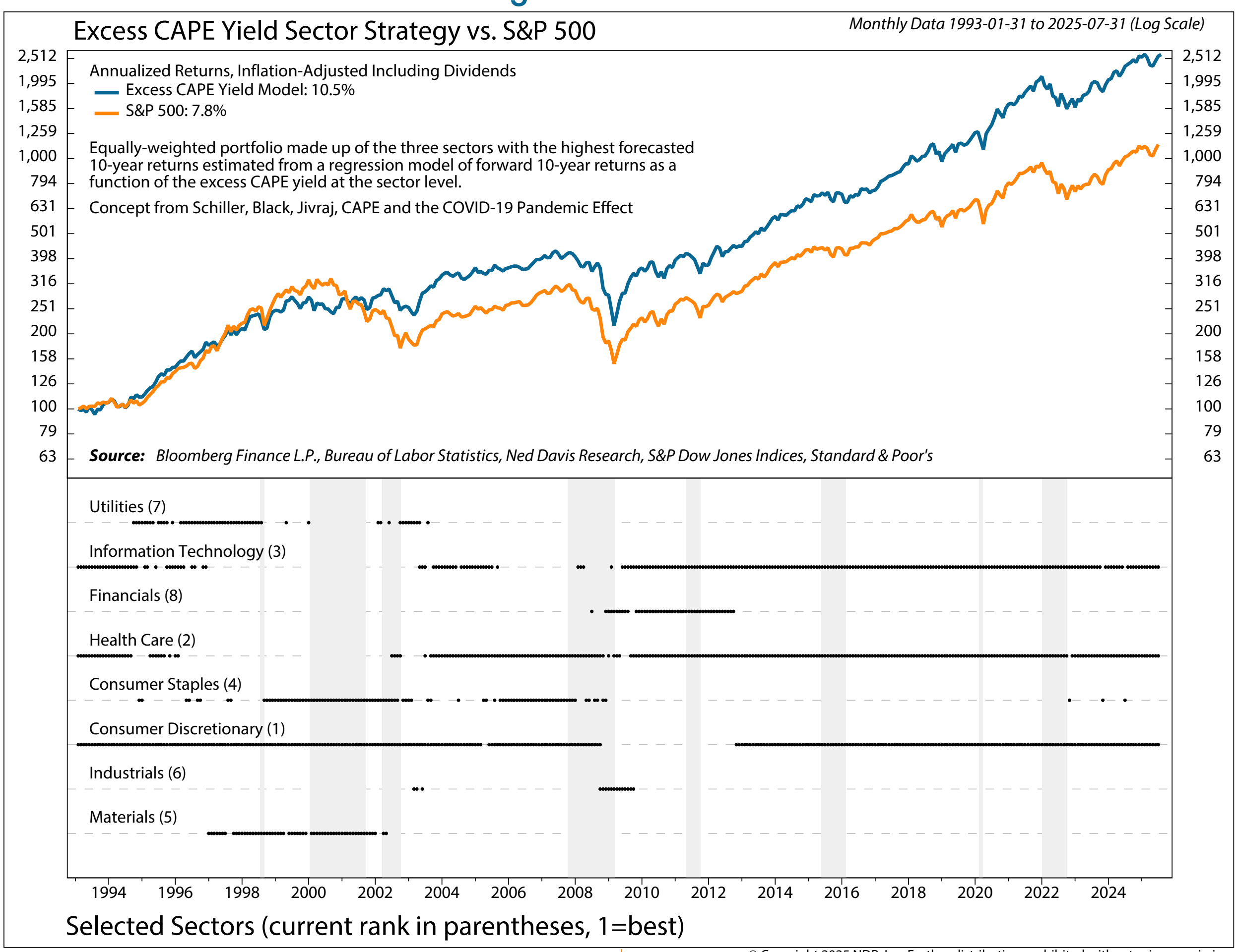
Staples and Health Care look cheap based on all metrics

Sector | Excess

Sector	EBIT/ Enterprise Value	Dividend Yield	Book Yield	Earnings Yield	Sales Yield	Forward Earnings Yield	Cap-Weighted Cyclically Adjusted Earnings Yield
Energy	7.43	3.45	54.16	6.08	55.37	6.84	2.76
Materials	5.44	2.10	38.45	2.99	54.99	5.74	3.58
Industrials	4.40	1.20	16.18	3.49	27.26	4.22	2.64
Consumer Discretionary	5.24	1.10	10.40	3.97	41.12	4.78	2.15
Consumer Staples	5.90	2.93	21.65	4.31	55.72	5.69	3.53
Health Care	4.94	0.62	25.11	3.54	27.52	6.02	3.45
Financials	8.42	1.70	43.33	5.82	44.15	6.79	4.20
Information Technology	3.61	0.51	11.71	2.92	17.09	4.04	1.51
Communication Services	7.61	0.75	33.98	4.20	49.97	5.28	2.56
Utilities	4.49	3.13	45.21	4.52	32.79	5.26	3.63
Real Estate	2.66	3.81	37.64	2.44	11.80	2.64	2.94

- : 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 Model was unchanged



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Communication Services: Marketweight effective 11/24/24

Key Takeaways

- Communication Services was roughly a market performer in July.
- Q2 earnings have been strong, and the sector now has the highest growth estimate for the full year.
- The model remains marketweight, matching our recommendation.

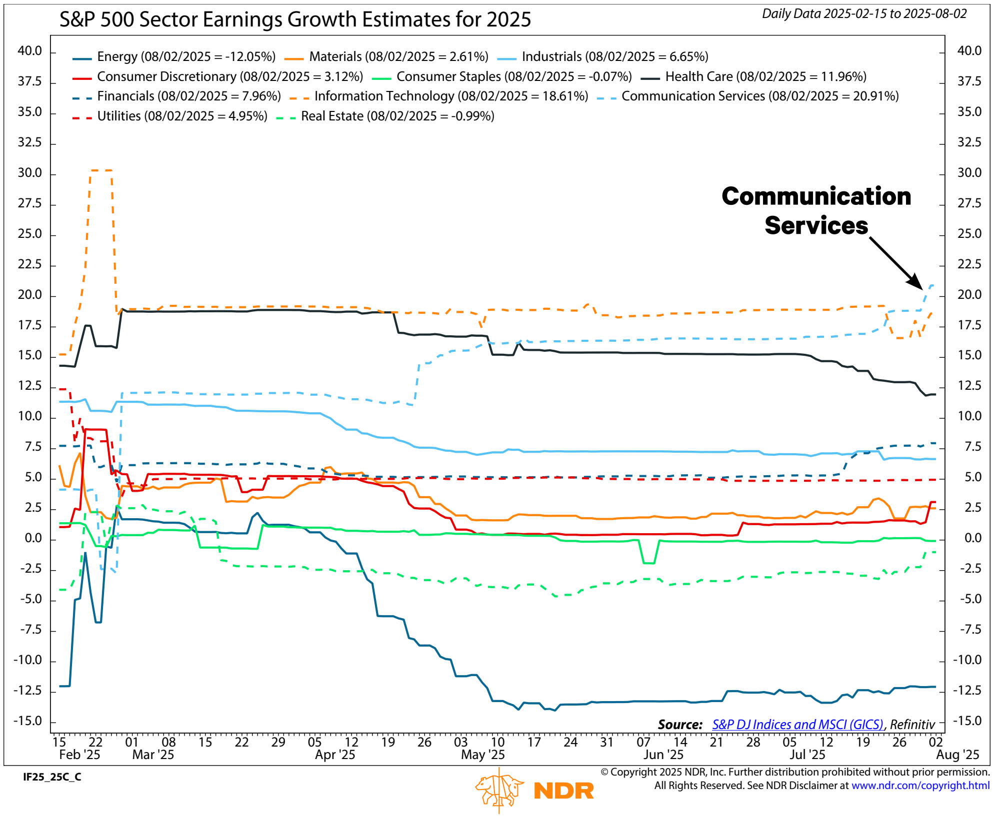
Communication Services gained 2.3% in July, roughly in line with the return from the S&P 500. Strong showings from both Alphabet and Meta were partially offset with losses from several other of the sector's largest members, including Netflix and Disney. Given the mega-cap strength, we could add to our allocation in the sector if we decide to shift more aggressively towards Growth over Value.

Key drivers: Analysts used tariff uncertainty to meaningfully lower earnings expectations. S&P 500 operating earnings estimates for 2025 have fallen from north of 15% at the start of the year down to 9.9%. While Q2 estimates look reasonable at 7.5%, analysts are expecting a jump in the back half of the year to 13.0% in Q3 and 13.5% in Q4. Among sectors, Communication Services now leads the pack, with full year earnings expected to rise 20.9%. With expectations high, investors could punish the sector if earnings fall short of forecasts, representing a risk as we enter the second half of the year.

Indicators to watch: The sector's Relative Price Deviation from Trend indicator turned bearish on July 29, suggesting the sector is losing some momentum. However, the weight of the indicator evidence remains neutral, and the model remains marketweight, matching our current recommendation on the sector.

Sector positives	Sector negatives
• 92% Q2 earnings beat rate • Mag 7 relative valuations look attractive versus long-term averages • NDR favors Growth over Value	• Capex surge from mega-caps represents a risk if market turns lower • EPS growth from Meta and Alphabet is decelerating in 2025 • Traditional media names continue to underperform

Expectations high for Communication Services



Consumer Discretionary: Marketweight effective 7/10/25

Key Takeaways

- Consumer Discretionary was a slight outperformer in July.
- However, recent weakness from Amazon and Tesla is a concern.
- The model remains marketweight, matching our position on the sector.

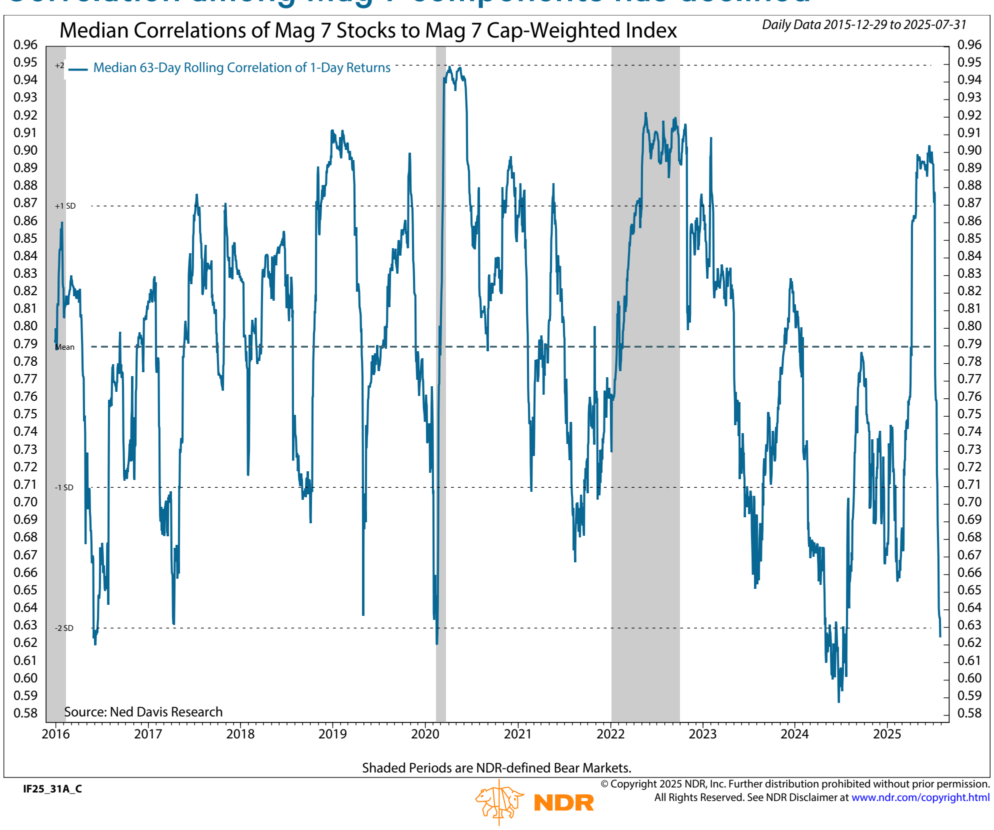
Consumer Discretionary was a slight outperformer in July, aided by Amazon's 6.7% gain. However, the stock has tumbled since reporting Q2 earnings that revealed underwhelming growth in the company's cloud business. That, combined with a boost in its A.I. spending target for the year, was enough to spook investors. Given Amazon's outsized influence, it will be hard for the sector to outperform if the negative momentum continues.

Key drivers: Mega-caps drive the performance of Growth sectors. For example, the combined value of Amazon and Tesla represents more than 50% of the entire worth of the Consumer Discretionary sector. For much of the bull market, investors often grouped together the tech-related Mag 7 names. However, more recently, there has been a major divergence in performance. The three-month correlation between Mag 7 constituents has fallen to one of its lowest readings over the past decade. The implication is that it is now more important than ever to discern between the tech-related mega-caps. For now, Discretionary's mega-caps look relatively less attractive.

Indicators to watch: The sector model turned more negative on Consumer Discretionary, with the sector's Relative Price Momentum indicator turning bearish on July 1. The sector currently has the lowest model score among Growth sectors and third lowest overall. The model remains marketweight, matching our recommendation, but the weight of the evidence is closer to a downgrade than an upgrade.

Sector positives	Sector negatives
• Volume Supply/Demand indicator is bullish • Breadth thrust signals have been bullish for the sector • Homebuilders P/B reached extreme oversold levels	• Uncertain trade policy is bearish for durables and textile industries • High concentration leaves the sector vulnerable • High rates have contributed to drop in housing affordability

Correlation among Mag 7 components has declined



Consumer Staples: Marketweight effective 5/15/25

Key Takeaways

- Consumer Staples was the second-worst performer in July.
- The sector is oversold and seasonality suggests the sector could perform well in August.
- The sector model turned more bearish but remains officially marketweight.

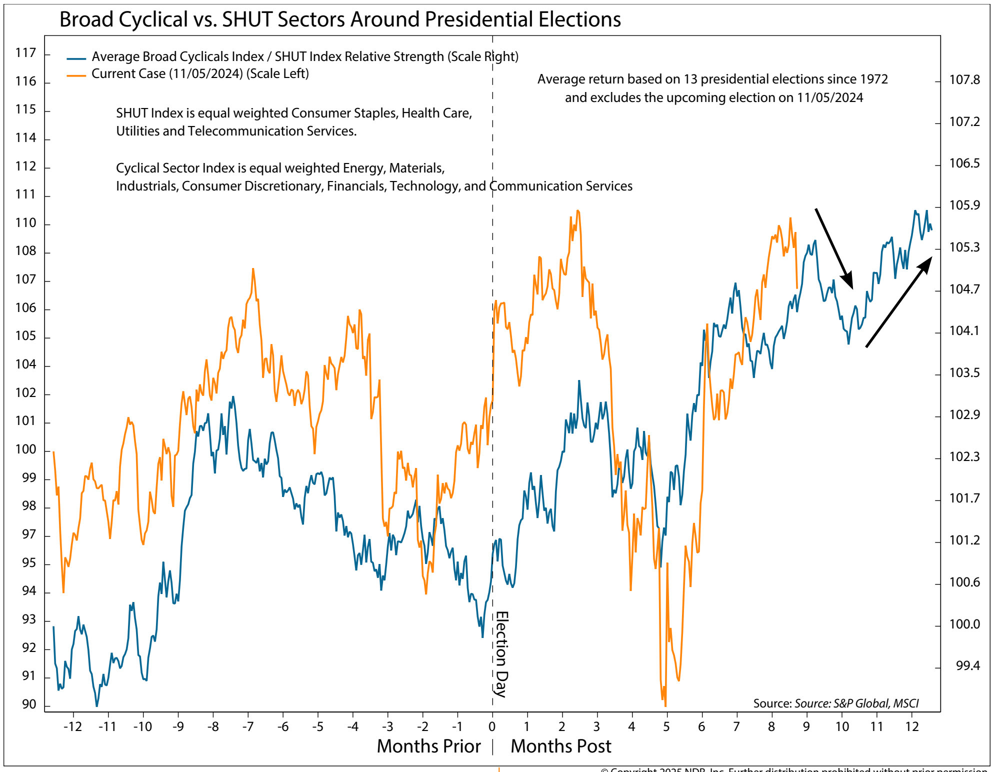
Indicators to watch: Consumer Staples' Relative Price Momentum indicator turned bearish in the sector's internal (price-based) composite on July 10. As a result, the sector finished the month with zero bullish internal indicators and had the lowest overall composite score among all sectors. The model reduced its exposure to the sector but remains officially marketweight, matching our recommendation.

Sector positives	Sector negatives
• High economic and trade uncertainty could keep volatility high • Quick rise in yields could threaten cyclical leadership • Tabacco industry has performed well YTD	• The sector's forward P/E ratio is the highest since 1998 • Fourth lowest Q2 earnings beat rate • Sector's Supply/Demand indicator turned bearish in May

Leadership remained risk-on in July and Consumer Staples was the second worst performing sector, falling 2.5% during the month. Weakness was broad based, with five of the sector's six industries trailing the S&P 500. Given the incredibly strong equity rally from the April low, a consolidation period would not be surprising and could benefit the defensive group, which is near-term oversold compared to cyclical sectors.

Key drivers: Along with oversold conditions, seasonality is another factor that could benefit Consumer Staples. Leadership has followed the typical election cycle pattern closely, with cyclicals surging post-election, stumbling in Q1, and recovering in Q2. Looking ahead, the cycle composite suggests another defensive rotation in August before giving way to cyclical leadership to close out the year. While no two cycles are exactly the same, the tendency suggests cyclical sectors could be at risk over the near term.

Election cycle suggests a brief defensive rotation in August



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Energy: Marketweight effective 7/10/25

Key Takeaways

- Energy was the fourth-best performer in July.
- Crude prices jumped during the month as Trump tried to pressure Russia to end the war in Ukraine.
- The model upgraded Energy to overweight.

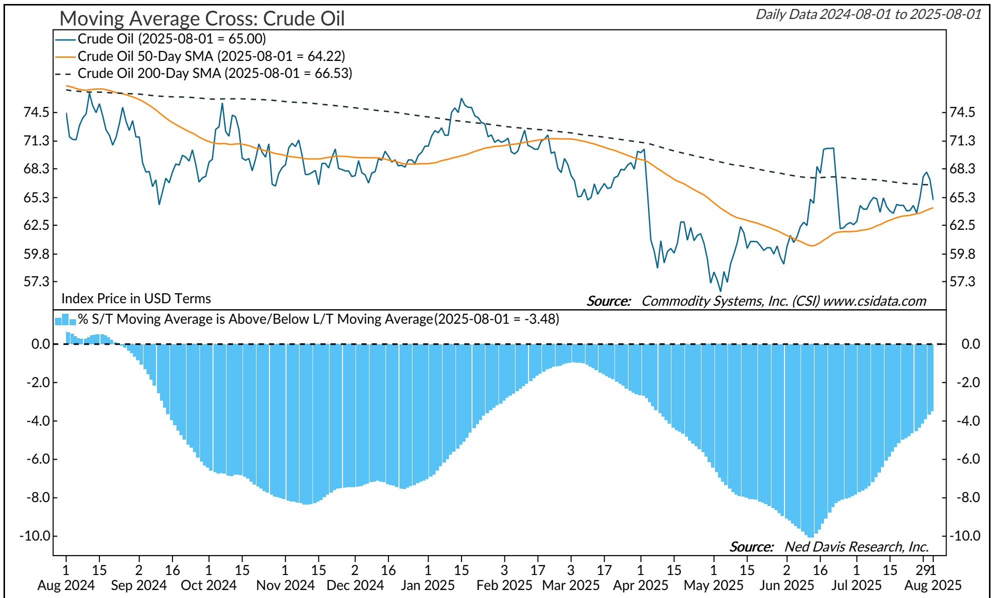
Energy was up almost 3% in July and was the fourth-best performing sector. Crude continued to advance from its May low, rallying more than 5% during the month, acting as a tailwind. Energy was led by Integrated Oil & Gas, the sector's largest industry at nearly 50% of sector market cap. Both Chevron and Exxon outpaced the S&P 500 during the month. We upgraded the sector to marketweight on July 10.

Key drivers: The summer of right tail risks in commodity markets continued. With a comment on Air Force One, President Trump shortened the deadline, from 50-days to 10-days, for Russia to negotiate a cease fire deal with Ukraine. WTI spiked to just shy of $70 on the news and posted its largest single day gain since Israel's attack of Iran in June. Details of repercussions for failing to meet the shortened deadline are elusive. Russia is the second largest producer of OPEC+ behind Saudi Arabia and despite sanctions by both the EU and U.S., Russian production has not suffered. While the shortened deadline, and an unknown response from Russia, has inflated crude's geopolitical risk premium, our commodity team is skeptical of its staying power.

Indicators to watch: While geopolitical and macro cross currents keep uncertainty high, indicator evidence has improved. Energy saw the second most improvement in our sector model during the month, with the sector's composite score rank jumping from seventh best to second best. The model upgraded Energy to overweight at its month-end update.

Sector positives	Sector negatives
• U.S. reserves are depleted and will need to be refilled • Valuations look relatively attractive • Global conflicts have added a geopolitical risk premium to crude prices	• OPEC to increase production • Energy Supply/Demand indicator remains bearish • The International Energy Agency (IEA) reported a downward revision in global oil demand growth for 2025

Crude getting closer to a golden cross



Crude Oil Performance
Full History: 1984-01-03 to 2025-08-01

% S/T Moving Average is Above/Below L/T Moving Average	% Gain/ Annum	% of Time
Above 0.0	3.69	54.73
Below 0.0	-0.02	45.27

Buy/Hold = 1.99% Gain/Annum

Crude Oil Performance
Chart View: 2024-08-01 to 2025-08-01

% S/T Moving Average is Above/Below L/T Moving Average	% Gain/ Annum	% of Time
Above 0.0	0.83*	6.85
Below 0.0	-13.46*	93.15

Buy/Hold = -12.74% Gain/Annum
** Cases less than one year are not annualized*

Customized version of TREND_MA_CMD.RPT

Financials: Marketweight effective 4/8/25

Key Takeaways

- Financials underperformed by roughly 200 basis points in July.
- We are monitoring the yield curve and loan growth to help assess prospects for the sector, and readings are currently mixed.
- We remain marketweight, matching the sector model.

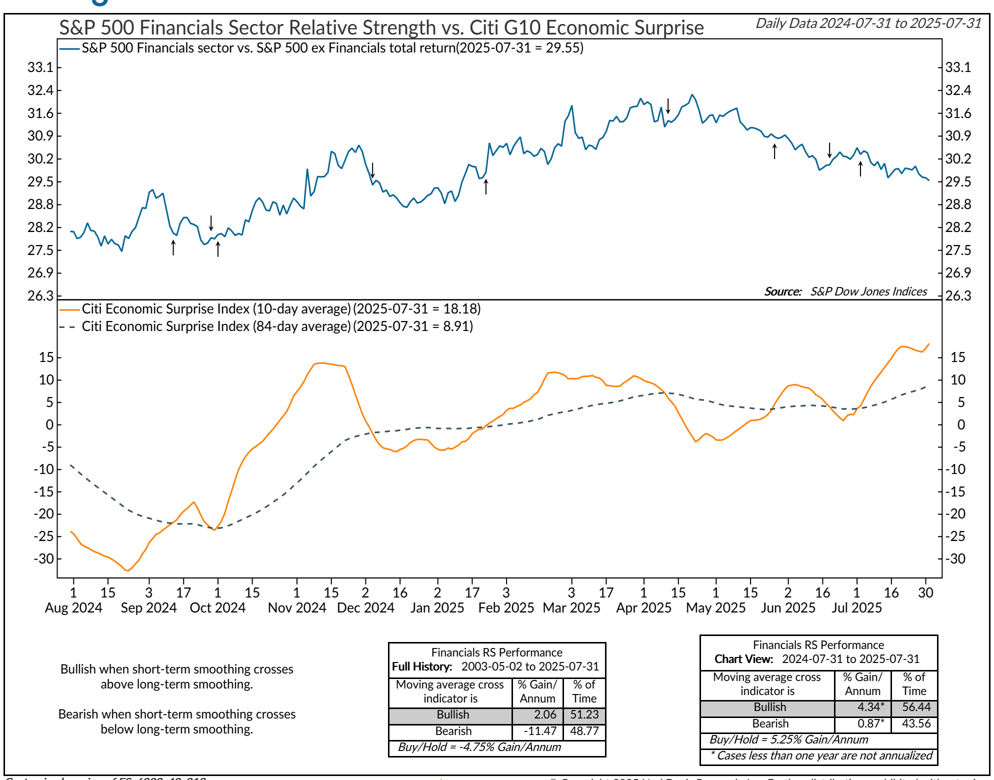
Financials has struggled to get into gear this year, with consistent divergences between industries. The trend continued in July, with the Capital Markets, Mortgage REITs, and Banks industries finishing with positive returns, while Consumer Finance, Financial Services, and Insurance all registered losses. As a result, Financials slipped 0.2% in July and was the fourth-worst performing sector during the month. We remain marketweight.

Key drivers: Two of the most important macro inputs we monitor for Financials are the yield curve and loan growth, both of which are reflected in our sector model. The Yield Curve indicator turned bearish on February 21 for the first time in over a year, but encouragingly has since reversed back to bullish, signaling that a steepening curve could act as a tailwind for the sector. While the Loan Growth indicator remains in bearish territory, it has shown steady improvement in recent months and appears on track to turn bullish soon.

Indicators to watch: Financials tends to be one of the most economically sensitive sectors. The fact that more data has beaten estimates and resulted in a rise in the Citi Economic Surprise Index is a bullish development for the sector. However, the technical picture remains murky, with only half of the internal (price-based) indicators in our sector model currently bullish. The model remains marketweight, matching our recommendation on the sector.

Sector positives	Sector negatives
• All curve composite models are in their steepening zones • Sector could benefit from deregulation • Sector's internal (price-based) indicators lean bullish	• Sector's external (non-price-based) indicators lean bearish • A weak dollar is historically bearish for the sector • Berkshire has been weak since Buffett announced retirement

Strong economic data have been bullish for Financials



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Health Care: Marketweight effective 2/13/25

Key Takeaways

- Health Care was the worst performer in July.
- The sector is extremely oversold but evidence has not yet turned bullish.
- The model remains marketweight, matching our recommendation on the sector.

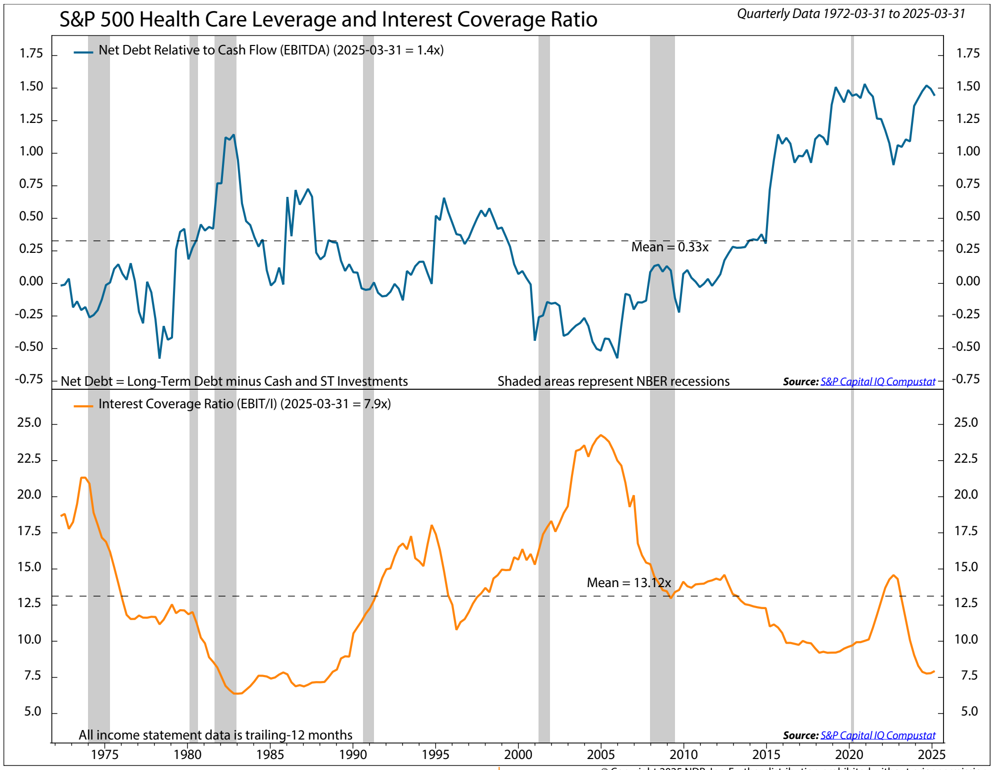
Health Care was the worst performing sector in July, falling 3.4% and trailing the S&P 500 by roughly 500 basis points. Only one of the sector's six industries beat the S&P 500 during the month (Life Sciences, Tools, & Services). Health Care Providers & Services was the biggest drag, falling more than 14% on continued United Health weakness. The sector is now deeply oversold but indicator evidence has not yet turned bullish. We remain marketweight for now.

Key drivers: Health Care has not only been the worst performing sector during the cyclical bull market, but it has arguably seen the most balance sheet deterioration as well. At a current reading of 1.4x, the sector's net debt to cash flow ratio sits just below its record high. Additionally, the sector's interest coverage ratio is near its lowest level since 1988. Combined, the readings imply a much greater credit risk than normal for the sector.

Indicators to watch: Health Care's deeply oversold condition and elevated investor pessimism suggest the potential for a multi-year stretch of outperformance. However, we are looking for improvement in the sector model before turning more constructive. At the end of July, Health Care's composite score was near the middle of the pack, and the model remains marketweight, matching our recommendation on the sector

Sector positives	Sector negatives
• 86% of reporting companies beat Q2 estimates	• 2/3 of internal (price-based) model indicators are bearish
• Biotech and Pharma sentiment is at extreme pessimism	• DOJ looking into UnitedHealth's billing practices
• Sector's forward P/E ratio is now below its long-term average	• Trump's "Most Favored Nation" executive order could signal a shift in pharmaceutical pricing

Debt profile has deteriorated for Health Care



Industrials: Marketweight effective 1/18/24

Key Takeaways

- Industrials outperformed by roughly 100 basis points in July.
- Capex spending could be at risk amid rising policy uncertainty following tariff announcements.
- The sector model upgraded Industrials to marketweight, matching our recommendation on the sector.

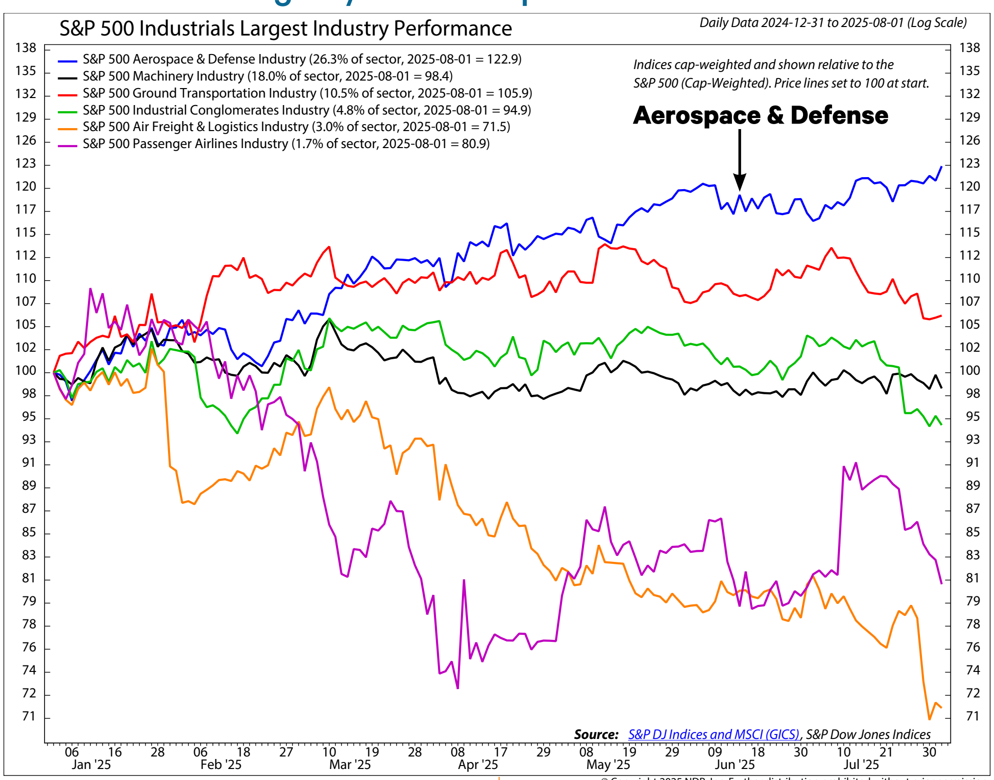
It may come as a surprise to some to see that Industrials has been the top performing sector on the year through July. The sector gained 14.2% year-to-date (YTD), just barely surpassing Technology that has gained 13.5%. The biggest driver for the sector has been Aerospace & Defense. The industry is the sector's largest at 26% of the sector's market cap, and is up 33% on the year. Beyond Aerospace, industry performance has been lackluster, with Ground Transportation the only other industry outperforming YTD.

Key drivers: Capital spending is key for Industrials, with the Capital Goods industry group comprising two-thirds of the sector's market cap. During economic downturns, capex plans are often scrapped to conserve cash, and the trend could be particularly pronounced this cycle. Uncertainty surrounding future tariff rates, both in the short- and long-term, could lead businesses to delay investment decisions. Historically, an increase in the Economic Policy Uncertainty Index has been followed by a slowdown in nonresidential fixed investment (capex). A capex comeback that leads to broader sector outperformance would be a bullish development for the sector.

Indicators to watch: The sector model moved Industrials to underweight on July 1, but we opted to not follow suit. Industrials saw model improvement in July and was upgraded back to marketweight by the model, now in line with our positioning on the sector. However, we will need to see more improvement before adding to our allocation.

Sector positives	Sector negatives
• Several countries looking to increase defense spending, bullish for defense companies • China stimulus and tight credit spreads suggest more capex spending • Airlines Scorecard is bullish	• Tighter lending standards and policy uncertainty are a capex headwind • Slowing growth is bearish for cyclical Value sectors • UPS plummeted amid weak Q2 results and forward guidance

Not much working beyond Aerospace & Defense



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Information Technology: Overweight effective 7/10/25

Key Takeaways

- Technology has been the top performing sector for four-straight months.
- Nvidia and Microsoft have helped to propel the sector while Apple has lagged.
- The sector model remains overweight Technology, matching our position on the sector.

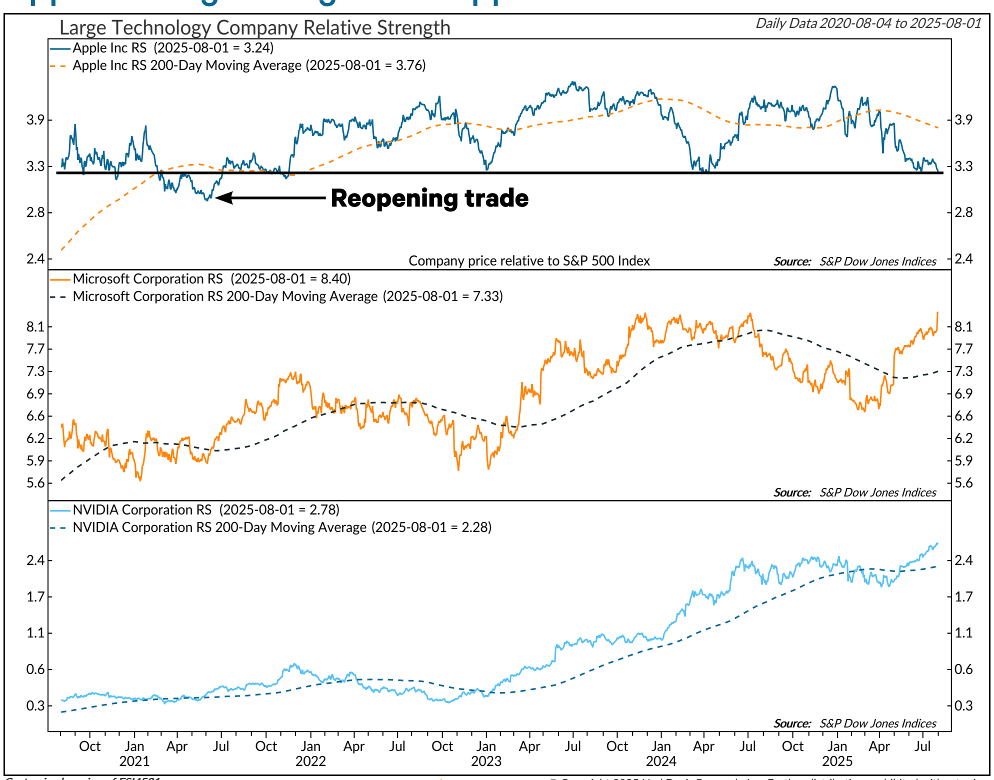
Technology kept its momentum rolling in July, gaining 5.2% and leading all sectors for the fourth-straight month. All three of the sector's industries groups – Semiconductor & Semiconductor Equipment, Software & Services, and Technology Hardware & Equipment – outperformed the S&P 500. Continued strong earnings aided the sector, with both Apple and Microsoft topping Q2 estimates. The next big test will come on August 27 when Nvidia is scheduled to report.

Key drivers: Taken together, Apple, Microsoft, and Nvidia make up over 60% of the S&P 500 Technology sector's market cap. Both Nvidia and Microsoft have outperformed since the April low, with both making new absolute and relative strength highs. In contrast, Apple has remained in a relative downtrend and is more than 20% off its record high. However, the stock also now trades near the bottom of its five-year relative trading range, a level only breached during the reopening trade in 2021. A bounce from these levels would turn the Apple headwind into a tailwind for Technology. But even if Apple is only a market performer from here, it would be an improvement compared to the first half of the year.

Indicators to watch: Technology's 200-Day Breadth indicator turned bullish in the sector's internal (price-based) composite on July 10, leading to modest composite score improvement for the sector. Tech finished July with the second highest overall composite score and the model remains overweight, matching our recommendation. on the sector.

Sector positives	Sector negatives
• Mag 7 valuations based on forward estimates no longer look excessive • Sector's Volume Supply/Demand indicator is bullish • Investor enthusiasm for A.I. remains intact	• Trump trade war could hurt tech multinationals and make earnings misses more likely • Absolute valuations look expensive • High capex-to-sales ratios underperform during bear markets, on average, a risk during the next downturn

Apple trading at long-term support



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Materials: Underweight effective 8/8/24

Key Takeaways

- Materials trailed the S&P 500 by almost 300 basis points in July.
- Falling natural gas prices could benefit the Chemicals industry.
- The model downgraded Materials back to underweight, matching our recommendation.

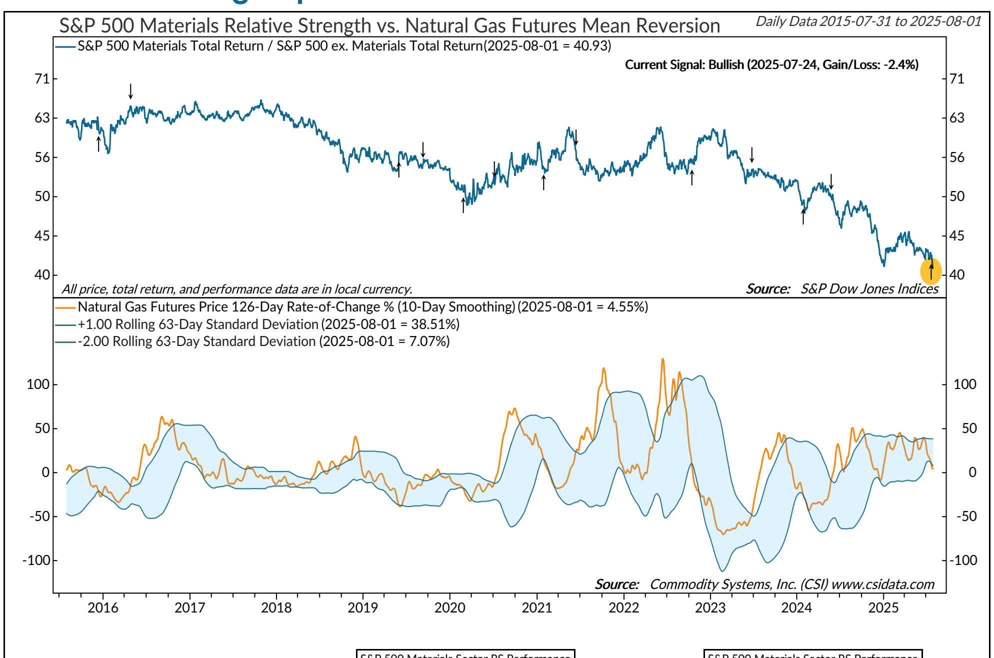
While three of Materials' five industries outperformed the S&P 500 in July, its two largest – Chemicals and Metals & Mining – lagged the index, weighing on the sector during the month. Materials finished July down 0.5% and trailed the S&P 500 by almost 300 basis points. The weight of the indicator evidence turned more bearish during the month, and the model downgraded the sector to underweight, matching our recommendation on the sector.

Key drivers: One key input for the Chemicals industry, the sector's largest at 63% of market cap, is the price of natural gas. The commodity is important as a raw material to produce products such as fertilizer and industrial gases, and for the energy intensive processes used across the industry. Specifically, we watch the price of gas futures, given that companies typically hedge a part of their natural gas exposure. Natural gas prices have receded in recent weeks and could be a bullish catalyst if the trend continues.

Indicators to watch: Natural gas prices came down enough to turn the sector's Natural Gas Mean Reversion indicator bullish on July 24. However, gold- and copper-based indicators turned bearish during the month, and the sector ended July with the second lowest composite score among all sectors. We maintain our underweight for now.

Sector positives	Sector negatives
• Clean energy transition and AI data center buildout should support copper prices • Gold bullion has outpaced miners, which could have more upside • Expansion in Chinese credit, as measured by the China Credit Impulse Index, has been bullish for metal prices	• NDR macro team sees economic growth slowing globally, bearish for commodity sectors • Growth continues to outperform Value • Chemicals remains in a downtrend

Lower natural gas prices are bullish for Materials



S&P 500 Materials Sector RS Performance
Full History: 1991-06-18 to 2025-08-01

Natural Gas Indicator is	% Gain/ Annum	% of Time
Bullish	9.51	30.07
Bearish	-7.29	69.93
Buy/Hold = -2.53% Gain/Annum		

S&P 500 Materials Sector RS Performance
Chart View: 2015-07-31 to 2025-08-01

Natural Gas Indicator is	% Gain/ Annum	% of Time
Bullish	3.58	24.11
Bearish	-6.45	75.89
Buy/Hold = -4.12% Gain/Annum		

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Real Estate: Underweight effective 7/10/25

Key Takeaways

- Real Estate trailed the S&P 500 by 200 basis points in July.
- Sentiment for the sector appears to be extremely pessimistic.
- The model upgraded the sector to marketweight.

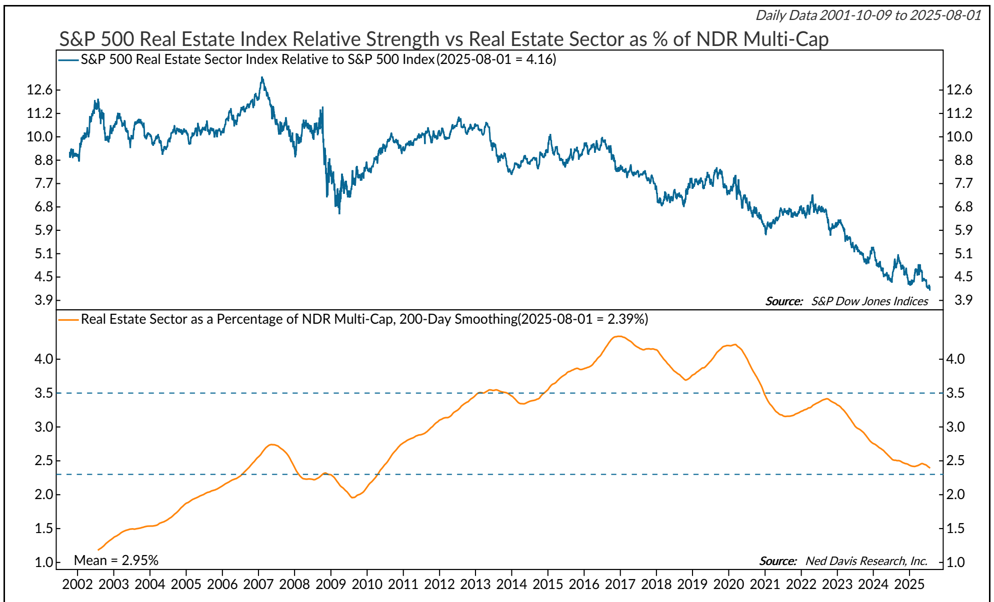
Real Estate gained 0.2% in July, trailing the S&P 500 by roughly 200 basis points. Volatility to begin the year benefited the sector, which has acted more defensively during selloffs. By the end of Q1, the sector was up nearly 3.0% versus a 6.0% decline for the S&P 500. However, all REITs have underperformed since the April 8 low and only two, Telecom Tower and Health Care REITs, have outpaced the S&P 500 on the year. With valuations looking more attractive and sentiment nearing what looks to be washed-out levels, we are watching to turn more bullish, but the weight of the evidence suggests it is still too early.

Key drivers: Over the past three years, the sector has trailed the S&P 500 by almost 58%, one of the worst stretches on record for the sector. Real Estate saw its weight in the S&P 500 fall to just 2.0% as of the end of June, the lowest reading for the sector since July 2011. The sector's representation in our NDR Multi-Cap Index has been roughly cut in half since 2016 and is nearing levels that have been consistent with outperformance by the sector. While the sector looks primed for a turnaround, at NDR we like to see sentiment hit an extreme and then reverse, which has not yet occurred.

Indicators to watch: Real Estate saw only modest sector model composite improvement in July. However, the improvement was enough for the model to close out its underweight of the sector. We have the sector on watch for an upgrade.

Sector positives	Sector negatives
• Relative P/E remains attractive • Breadth profile remains strong • REITs Scorecard leans bullish	• Low growth environments have been bearish for the sector • Net debt to cash flow ratio near record high • Dividend yield looks less attractive versus bonds

Real Estate pessimism nearing an extreme



Real Estate Index / S&P 500 Index Performance
Full History: 2001-10-09 to 2025-08-01

Percentage of Assets are:	% Gain/ Annum	% of Time
Above 3.5	-8.29	29.84
2.3 - 3.5	-6.32	44.03
Below 2.3	3.74	26.13
Buy/Hold = -3.17% Gain/Annum		

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Utilities: Marketweight effective 5/15/25

Key Takeaways

- Utilities was the second best performer in July.
- Clusters of breadth thrust signals, like we have seen recently, have supported cyclical rotations.
- The sector model upgraded Utilities to overweight.

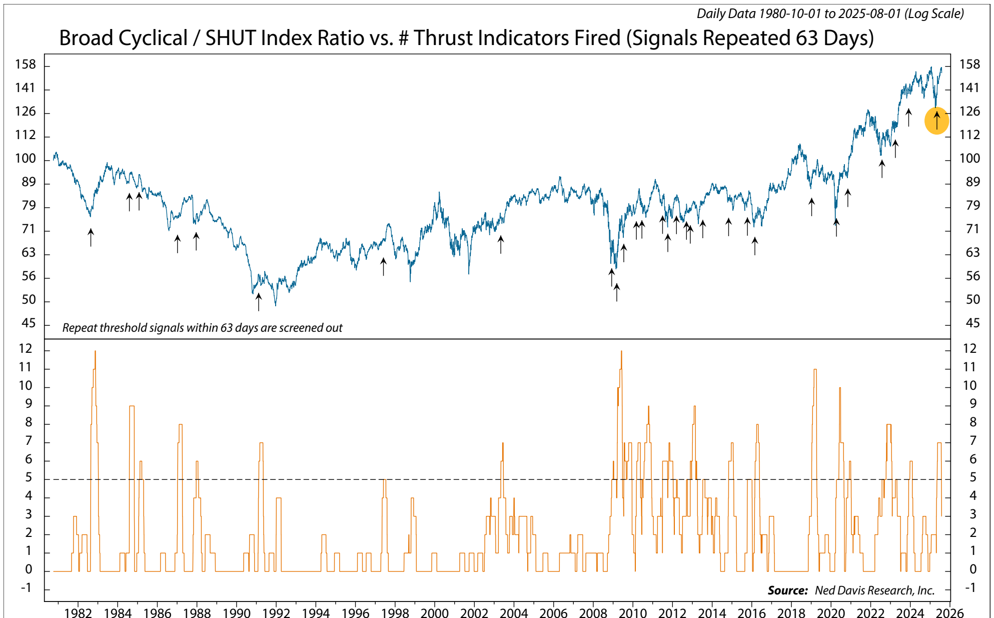
Utilities was the second-best performing sector in July, gaining 4.9%. The sector has also been the second-best performing sector on the year. Utilities has acted less defensively of late as investors view the sector as a backdoor A.I. play given the ongoing infrastructure buildout that requires increasing demand for energy. We maintain our marketweight but may add exposure as the sector model upgraded Utilities to overweight at its month-end update.

Key drivers: The stock market's rebound from the April low has been enough to trigger several breadth thrust signals in our Breadth Thrust Watch Report. Historically, when five or more have signaled, it has been bullish for stocks and has supported cyclical over defensive leadership. Utilities' track record has been particularly poor following Breadth Thrust Watch Report signals, outperforming in only 36% of cases six months later and 11% of cases 12 months later. However, the sector's tie to A.I. could make this cycle different for Utilities compared to prior ones.

Indicators to watch: Utilities saw the most sector model composite improvement in July, with four internal (price-based) and two external (non-price-based) indicators turning bullish. The sector finished with the highest overall composite score and the model upgraded Utilities to overweight. Given the improved outlook, we have the sector on watch for an upgrade.

Sector positives	Sector negatives
• Relative P/E remains attractive • Long-term breadth is holding up • A Trump tax cut extension could benefit capex-heavy sectors and industries	• Net debt to cash flow ratio near record high • Dividend yield looks less attractive versus bonds • Low beta is a drag during bull markets

Breadth thrust signals bullish for cyclicals longer-term



Full History Dates: 10/01/1980 - 08/01/2025

Summary Item	10 Days	21 Days	42 Days	63 Days	84 Days	126 Days	252 Days
Mean	0.77	1.71	2.70	3.00	3.56	5.82	8.61
Median	0.65	1.05	1.84	3.17	3.26	5.42	5.43
Number Up	19	18	18	17	19	20	19
Number Down	10	11	11	11	9	8	9
All Periods Mean	0.06	0.14	0.27	0.39	0.50	0.74	1.51

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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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