



# NDR Sector Views

SEPTEMBER 4, 2025

## Consumer Staples: Marketweight effective 5/15/25

### Key Takeaways

- Consumer Staples was a slight underperformer in August.
- The sector's Q2 earnings beat rate was third lowest among all sectors, but the quarter was not all bad.
- The model remains marketweight, matching our recommendation.

Consumer Staples did not benefit from the leadership rotation that developed in August. The sector, which has trailed by roughly 700 basis points on the year, underperformed the S&P 500 by about 100 basis points in August. While there is still hope for a turnaround, with the sector oversold and stock market seasonally in its weakest stretch of the year, evidence is far from bullish, and we remain marketweight for now.

**Key drivers:** Q2 earnings have been exceptionally strong, with 81% of S&P 500 companies topping estimates. Among sectors, the beat rate for Consumer Staples was the third lowest but still came in at a respectable 75%. While Walmart, the sector's largest member, beat on the top line, it disappointed on the bottom line. However, our Thematic team still found the quarter encouraging in part due to growth in key categories including fashion & apparel, a rapidly growing e-commerce business, and strong growth in China. While tariffs will likely

keep uncertainty high, evidence suggests that the consumer remains strong.

model remained marketweight, matching our recommendation on the sector.

**Indicators to watch:** Despite Consumer Staples' Relative Price Overbought/Oversold indicator turning bullish on August 15, the sector finished the month with the second-lowest overall composite score. However, the

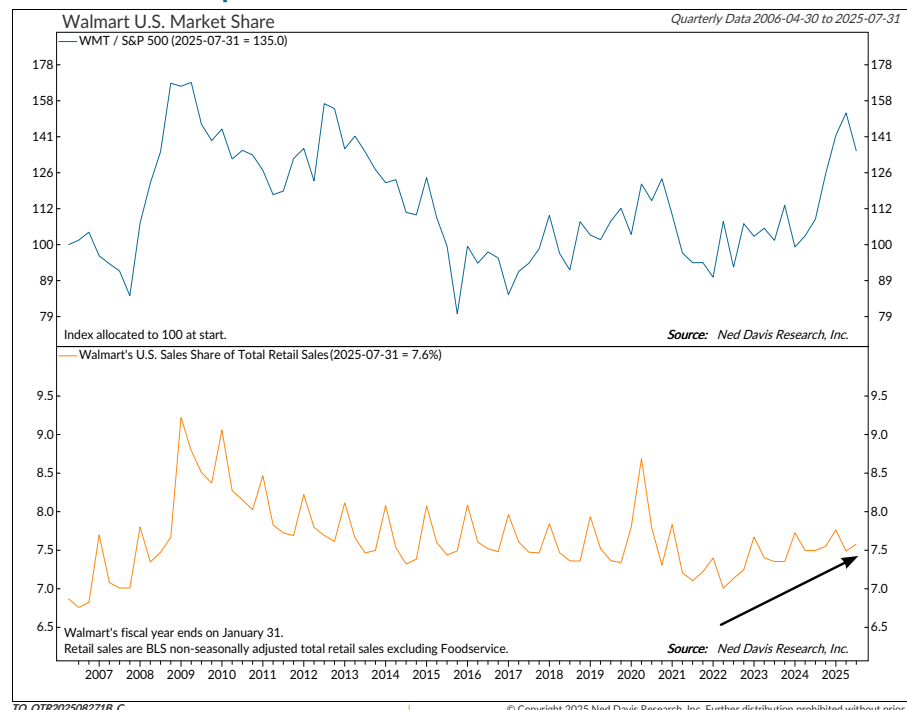
#### Sector positives

- High economic and trade uncertainty could keep volatility high
- A rise in yields could threaten cyclical leadership
- Tobacco industry has been a standout for the sector

#### Sector negatives

- The sector's forward P/E ratio is the highest since 1998
- Sector's Supply/Demand indicator is bearish
- Fed easing could help more cyclical areas of the market

### Walmart was upbeat about U.S. sales



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## Recommendations

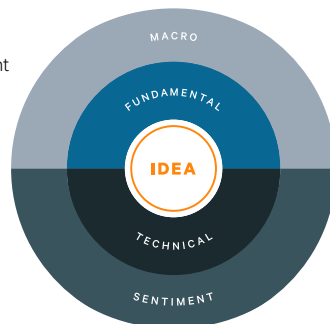
NDR’s sector team uses a quantitative sector model as the primary guide to deriving our recommendations. The model is designed to identify sectors and industries with the strongest fundamental (macro, economic, valuation, profitability) and technical price trends. Our team uses the model as the framework 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.

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