



# NDR Sector Views

SEPTEMBER 4, 2025

## Consumer Discretionary: Marketweight effective 7/10/25

### Key Takeaways

- Consumer Discretionary outperformed by over 100 basis points in August.
- Housing affordability is a concern for Homebuilders, but several factors could help thaw the housing market.
- The model remains marketweight, matching our recommendation on the sector.

Consumer Discretionary gained 3.4% in August and outpaced the S&P 500 by over 100 basis points during the month. All the sector's industries outside Broadline Retail outperformed. The industry was weighed down by Amazon, which fell a little more than 2% in August. Tesla, the sector's second-largest member, provided an offset, jumping more than 8%. Household Durables were the top performing industry, gaining over 15%, as investors prepared for the Fed to cut rates.

**Key drivers:** Our macro team has often pointed out that housing is one area that has been negatively impacted by tight monetary policy. Indeed, housing has been one of the worst performing areas of the economy for the past four years. The housing market woes are largely an affordability problem. Along with high home prices, utilities, taxes, and insurance have added to cost burdens. However, we see several signs of improvement, including rising inventories, a 100 bps drop in mortgage rates from

the peak, a recovery in real incomes, and potential policy in the pipeline to help the industry. Homebuilders could continue to perform well if affordability improves.

**Indicators to watch:** Consumer Discretionary saw the most sector model composite improvement in August. The

sector jumped from the third-lowest ranked overall to the third highest. The model, however, remains marketweight, matching our recommendation on the sector.

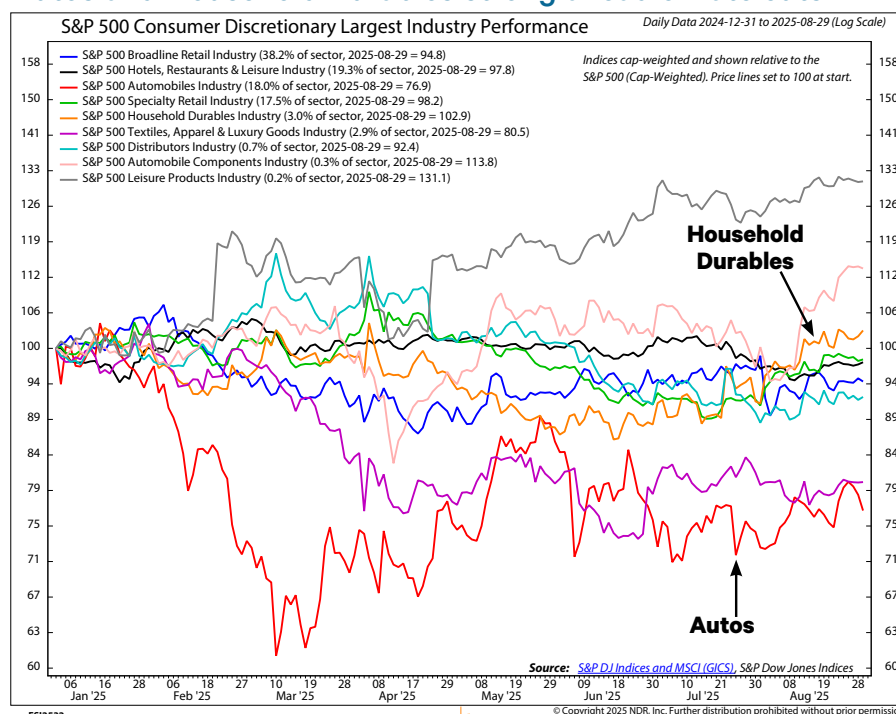
#### Sector positives

- Volume Supply/Demand indicator is bullish
- Breadth thrust signals have been bullish for the sector
- Homebuilders P/B reached extreme oversold levels

#### Sector negatives

- Uncertain trade policy is bearish for durables and textile industries
- High sector concentration leaves the sector vulnerable if Amazon or Tesla stumble
- High rates have contributed to drop in housing affordability

### Autos and Household Durables strong ahead of rate cuts



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## Recommendations

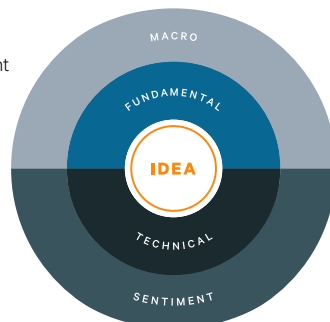
NDR’s sector team uses a quantitative sector model as the primary guide to deriving our recommendations. The model is designed to identify sectors and industries with the strongest fundamental (macro, economic, valuation, profitability) and technical price trends. Our team uses the model as the framework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

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