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Monthly Insights: April Outlook

Materials Sector

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Sector Price Action & Performance Review: Materials



The Materials Sector outperformed through March despite weak price action. Oscillator studies are near oversold levels entering April, but the context of the near-term technicals is bearish as price and performance trends have been trending lower over the past 12 months.

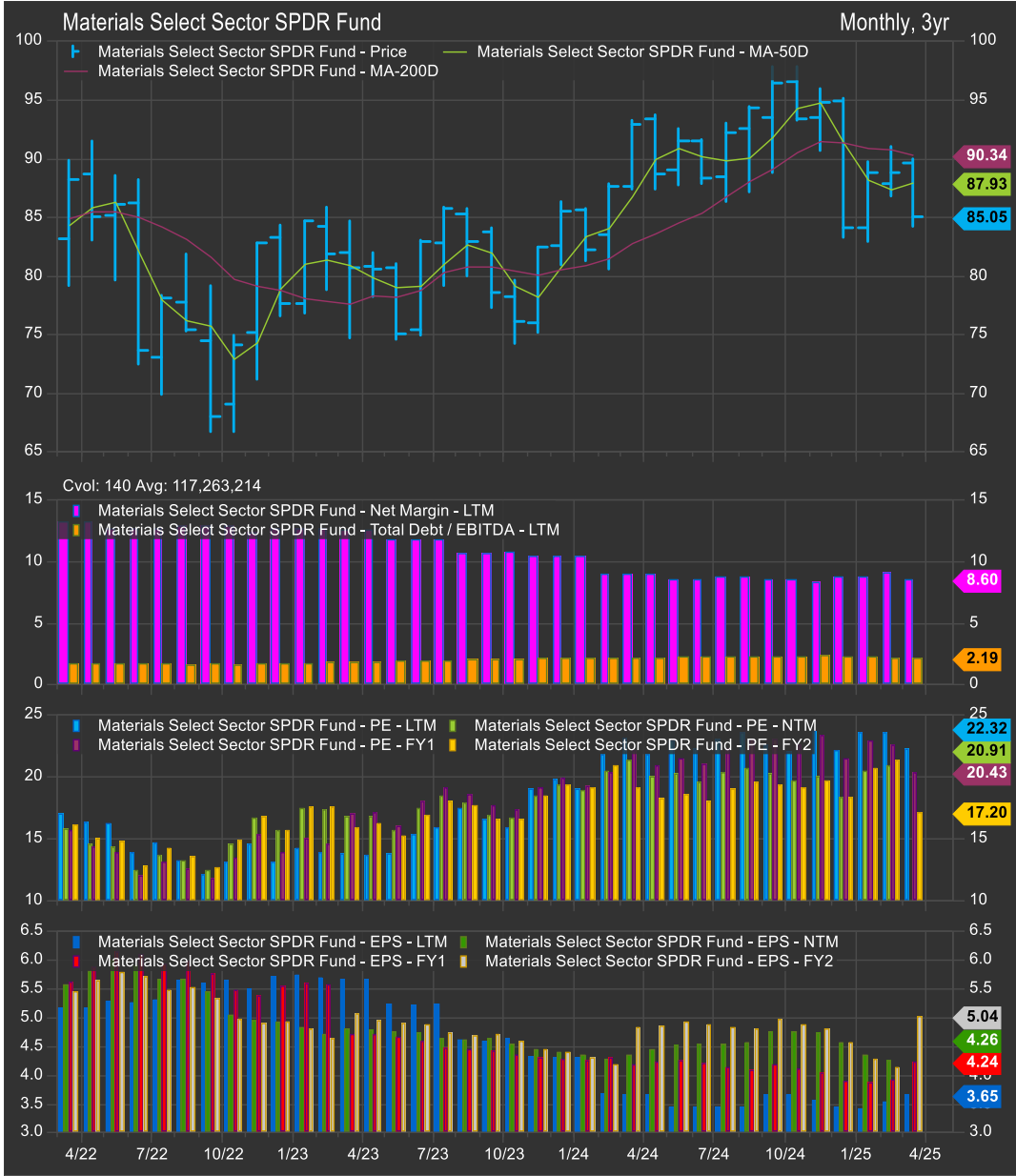
With equities entering April looking poised for another leg lower, we are fading the more economically sensitive Materials sector in favor of a beefier long in Energy stocks. We aren't ready to fully capitulate to an inflationary crouch as the speed of the equity correction may resolve to accumulation over the next 30-days. Conversely if rates move lower on recession fears, that wouldn't be historically supportive of Materials stocks either.

The S&P 500 Materials Sector faces a mixed outlook heading into Q2. On one hand, tariffs and reshoring trends offer support for select domestic producers (steel, chemicals, industrials). On the other, global demand uncertainty, input cost inflation, and weaker downstream sectors (housing, auto, data centers) are creating headwinds. Market participants are closely watching whether Trump's trade policy becomes a growth anchor or a catalyst for industrial reshoring.

We're taking the "glass is half empty" view for the sector given weak long-term trends and near-term buying that falls well short of indicating enthusiasm.

We start April out of the Materials Sector with an **UNDERWEIGHT allocation to the Materials Sector of **-2.00%** in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

Fundamentals: Materials Sector

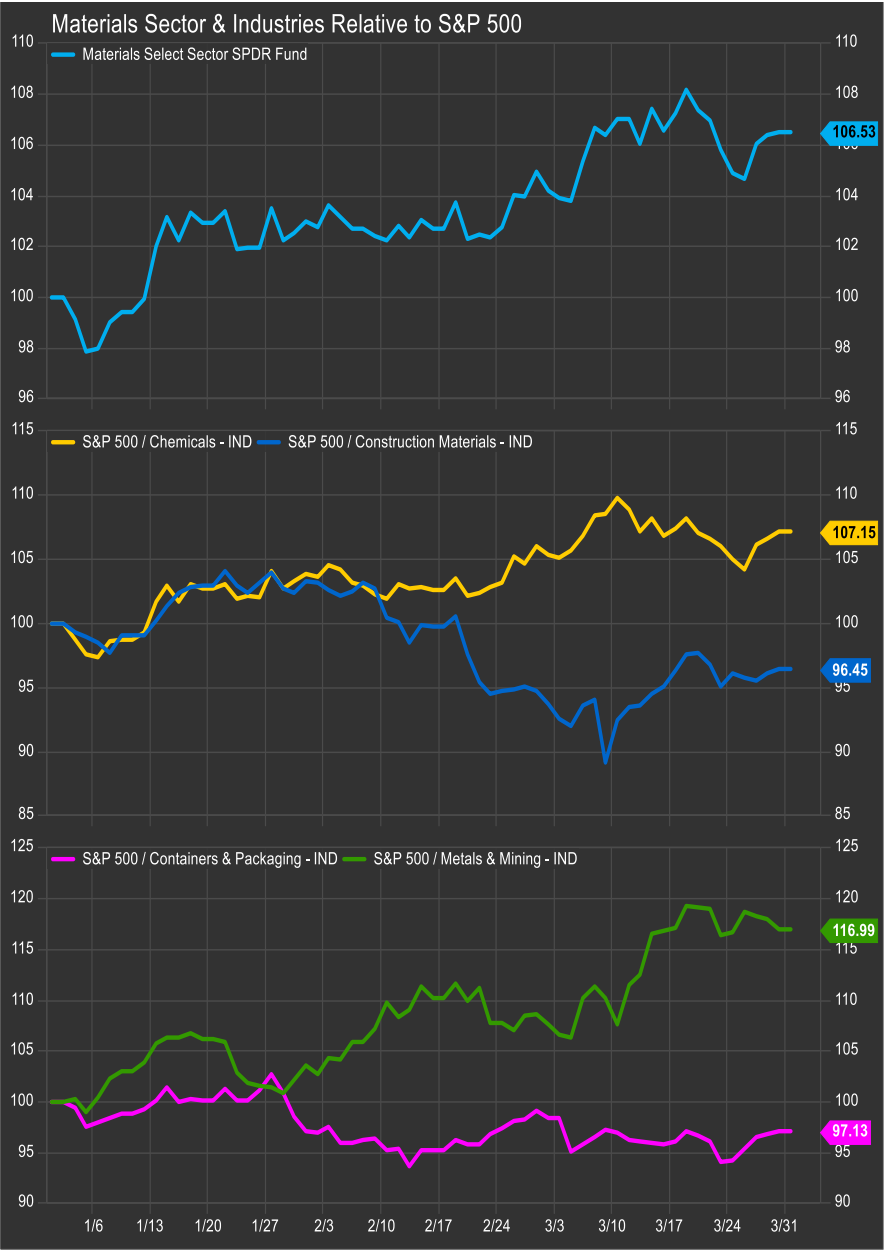


The chart (left) shows S&P 500 Materials Sector Margins, Debt/EBITDA, Valuation and Earnings

The second half of 2024 saw net margins contract for the sector while debt burden relative to EBITDA ticked higher (chart, panel 2)

Valuation (chart, panel 3) has become elevated in the near-term and in out years, though the recent earnings season offered some improved guidance moving forward, whether that becomes a trend remains to be seen, but we will be watching closely

Industry/Sub-Industry Performance and Breadth: Materials



Materials Industries (chart, left): The sector started the month strong vs. the broad market, but was faded in the back half

Metals and Mining stocks remain a YTD standout but need to do more to show the kind of sustained bullish reversal our process looks for.

Chemicals stocks have been a mixed bag, but LIN is improving

Materials Sector Internals (chart, right): Stocks in the sector are having trouble sustaining price above intermediate and long-term trend proxies

Unlike the energy sector there hasn't been an expansion in the number of stocks investors are interested in and we haven't seen stock level breadth or industry outperformance signal buyer enthusiasm likely due to such an uncertain macro picture

Top 10/Bottom 10 Stock Level Performers: Materials

Symbol	Name	CHART_PATTERN	MktVal Co	Valuation Multiple Rel to Index	Momentum Score	Div Yld Multiple rel to Index	1-Month Excess Return vs. BMK	Near-term OB/OS
MOS	Mosaic Company	Bullish Reversal	8,636.6	0.47	6.2	2.1	21.1	
NEM	Newmont Corporation	Bullish Reversal	54,198.5	0.55	15.0	1.4	19.1	
FCX	Freeport-McMoRan, Inc.	Consolidation	55,212.3	0.85	-11.3	1.0	10.3	
MLM	Martin Marietta Materials, Inc.	Retracement	29,145.6	0.98	-9.9	0.4	5.3	
LIN	Linde plc	Bullish Reversal	217,118.4	1.10	2.9	0.9	4.8	
BALL	Ball Corporation	Support	14,531.2	0.58	-14.4	1.1	4.2	
CTVA	Corteva Inc	Bullish Reversal	41,704.9	0.80	7.0	0.8	3.4	
CF	CF Industries Holdings, Inc.	Support	12,882.9	0.54	-5.5	1.7	1.7	
AMCR	Arcelor PLC	Consolidation	13,933.1	0.50	-1.6	3.5	1.4	
PPG	PPG Industries, Inc.	Downtrend	24,386.2	0.54	-14.3	1.7	1.1	
IP	International Paper Company	Bullish Reversal	27,995.1	0.73	13.2	2.3	0.6	
VMC	Vulcan Materials Company	Retracement	30,771.6	1.07	-7.5	0.5	0.6	NT OVERSOLD
ALB	Albemarle Corporation	Downtrend	8,487.6		-22.6	1.4	0.4	
SHW	Sherwin-Williams Company	Consolidation	85,450.6	1.10	-3.7	0.6	0.2	
IFF	International Flavors & Fragrances Inc.	Retracement	19,558.6	0.72	-14.1	1.4	0.1	
AVY	Avery Dennison Corporation	Support	13,879.9	0.69	-12.8	1.4	0.1	
ECL	Ecolab Inc.	Bullish Reversal	70,769.2	1.30	3.9	0.7	-0.8	
LYB	LyondellBasell Industries NV	Downtrend	22,583.0	0.43	-15.8	5.1	-1.4	
APD	Air Products and Chemicals, Inc.	Bullish Reversal	65,023.0	0.89	5.2	1.6	-1.4	
PKG	Packaging Corporation of America	Retracement	17,556.1	0.71	-5.2	1.7	-1.5	
STLD	Steel Dynamics, Inc.	Consolidation	18,582.7	0.50	-0.2	1.1	-2.1	
DD	DuPont de Nemours, Inc.	Consolidation	30,948.2	0.67	-6.9	1.4	-2.8	
DOW	Dow, Inc.	Downtrend	24,183.7	0.70	-24.6	5.4	-3.7	
EMN	Eastman Chemical Company	Support	10,050.8	0.40	-11.0	2.5	-4.1	NT OVERSOLD
NUE	Nucor Corporation	Downtrend	28,139.5	0.58	-12.9	1.2	-5.1	
SW	Smurfit Westrock PLC	Consolidation	23,233.2	0.53	-8.6	2.4	-8.4	NT OVERSOLD

Some bullish reversals have been forming within the Materials Sector, but we haven't seen the kind of broad movement into the sector that we have for Energy stocks or income plays

Newmont is obviously a sought-after stock with current turbulence roiling equities while MOS led all sector stocks with a sharp bounce...We believe enthusiasm is muted as macro dynamics are tilting towards the recessionary while we expect the sector would outperform in an inflationary expansion

Metrics:

(Formulas are in the appendix at the end of the report)

Valuation Multiple Relative to Index

Premium (or discount) to benchmark valuation

Momentum

Long higher scores, short lower scores

Dividend Yield Relative to Index

Higher scores preferred when rates and equities are moving lower

Near-term Overbought/Oversold

Price is >10% away from the 50-day moving average Above/Below

GREEN|RED

Company scores positively|negatively for Elev8 Sector Rotation Model for April

3/31/2025

Economic & Policy Drivers: Materials Sector

1. Tariffs, Trade Policy & Global Supply Chains

The **Trump administration's renewed tariff agenda** dominated sentiment, with escalating rhetoric and policy moves affecting industrial and base materials demand.

A **25% auto tariff** was announced on all non-U.S.-made vehicles, which also affects **auto parts and metals input costs**.

Additional tariffs on **pharmaceuticals, lumber, and potentially copper** are in discussion, with copper imports possibly targeted in early Q2.

Markets remain concerned the **April 2 "Liberation Day" reciprocal tariff announcement** will not be a clearing event, prolonging uncertainty.

The **EU began preparing trade concessions**, including **tariff reductions and regulatory relief**, which may help mitigate some headwinds for multinational materials firms.

2. Industrial Metals Pricing & Demand Trends

Copper and aluminum pricing saw volatility, with demand from auto, housing, and data center construction facing crosscurrents.

Copper surged mid-month on expectations of tariff-related supply constraints, though demand concerns later pressured prices.

Vertiv (VRT) and others cited slowing data center equipment demand, suggesting near-term softness in industrial end markets.

Steel stocks, such as **Nucor (NUE)** and **Steel Dynamics (STLD)**, got a lift from tariff headlines, as reshoring and protectionist sentiment buoyed domestic production outlook.

Trump's comments on bringing back **"clean coal"** and energy tariffs indirectly supported metals and mining sentiment, with hot-rolled coil prices rebounding.

3. Construction, Housing & Infrastructure Demand

US housing data was mixed:

February housing starts beat expectations, but **homebuilder sentiment** softened on cost concerns.

Lennar (LEN) flagged margin pressure and rising use of incentives due to higher rates and weakening affordability.

Infrastructure spending remained a tailwind, supported by commentary from companies like **CMC** and **AGX**, which beat and raised guidance on stronger backlogs.

The **Senate's reconciliation blueprint** could unlock new fiscal spending later in 2025, potentially benefiting construction materials.

4. Cost Pressures, Input Inflation & Corporate Outlooks

Input costs were in focus throughout March:

The **February PCE report** showed hotter-than-expected core inflation at 0.4% m/m, contributing to concerns about cost pass-through challenges for materials producers.

Corporate updates flagged higher **raw material and freight costs**, with some companies noting a shift in demand toward **lower-margin products**.

Verint (VRNT) and others in adjacent sectors referenced **AI investments crowding out infrastructure spending**, while **data center delays** may impact upstream materials like copper and steel.

Earnings outlooks varied:

Worthington (WOR) posted strong Q3 results, citing execution amid tariff uncertainty and better mix.

Oxford Industries (OXM) and others in adjacent consumer-facing materials flagged softening demand, particularly in January and February.

Packaging and chemical names noted **mixed volumes**, with some benefiting from food and staples strength, while others saw soft export demand

Appendix: Metric Interpretation/Descriptions

Valuation Multiple Relative to Index

Higher scores correspond to more expensive earnings than the index, lower scores are cheaper

Valuation Multiple Relative to Index

(Company Price/NTM EPS)/ (Index Price/NTM EPS)

Dividend Yield Relative to Index

Higher scores correspond to higher company dividend yield relative to the S&P 500 Index dividend Yield

Dividend Yield Relative to Index

Company FY1 Rolling Dividend Yield / Index FY1 Rolling Dividend Yield

Momentum

Long higher scores, short lower scores

Momentum (simple mean)

1-Month Excess Total Return (vs. S&P 500) * 0.1

Plus

3-Month Excess Total Return (vs. S&P 500) * 0.3

Plus

6-Month Excess Total Return (vs. S&P 500) * 0.4

Plus

12-month Excess Total Return (vs. S&P 500) * 0.2

Metric Interpretation/Descriptions

Price Structure

We categorize stock chart patterns into 7 categories

Uptrend—Stock exhibits sustained outperformance

Bullish Reversal—Stock has outperformed over the past 3-6 months by > 10% vs. benchmark

Consolidation—Sideways price action, generally a bearish pattern in a bull market

Retracement—A sharp move lower in a previously strong chart

Distributional—A topping pattern

Downtrend—Sustained underperformance, lagging the benchmark by >15% per year

Support—Price has reached a level where major bottom formations or basing has occurred in the past

Basing—A protracted consolidation at long-term support

Deviation from Trend

Intermediate-term: Price % Above/Below 200-day moving average

Near-term: Price % Above/Below 50-day moving average

Overbought/Oversold (We want to sell overbought charts with declining momentum)

Overbought = Stock price > 25% above 200-day m.a.

Oversold = Stock price > 20% below 200-day m.a.

Near-term Overbought/Oversold (Signals depend on trend context)

Overbought = Stock price > 15% above 50-day m.a.

Oversold = Stock price > 15% below 50-day m.a.