

NDR Sector Views

MAY 7, 2025

Materials: Underweight effective 8/8/24

Key Takeaways

- Materials was the third worst performer in April.
- Concern that tariffs will negatively impact demand and commodity prices have weighed on the commodity sectors.
- The model upgraded Materials to marketweight and we have the sector on watch for an upgrade.

Materials was among the sectors that responded most poorly to Trump's tariff announcement, ending April down more than 2% versus a 0.8% decline for the S&P 500. The sector was the third-worst performer during the month, reflecting investor concern over the potential impact of the protectionist trade policies on supply chains and commodity demand. We remain underweight but the sector model upgraded Materials to marketweight and we may upgrade the sector to get in line with the model.

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. The negative price action from most commodities since Liberation Day was enough to turn the NDR Commodity Model bearish in April. NDR currently maintains its neutral view on commodities but has the asset on watch for a downgrade.

Indicators to watch: Among Materials' four commodity-based model indicators, only the Gold Futures Momentum indicator is bullish. The sector's copper, silver, and natural gas based indicators are all bearish. 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.

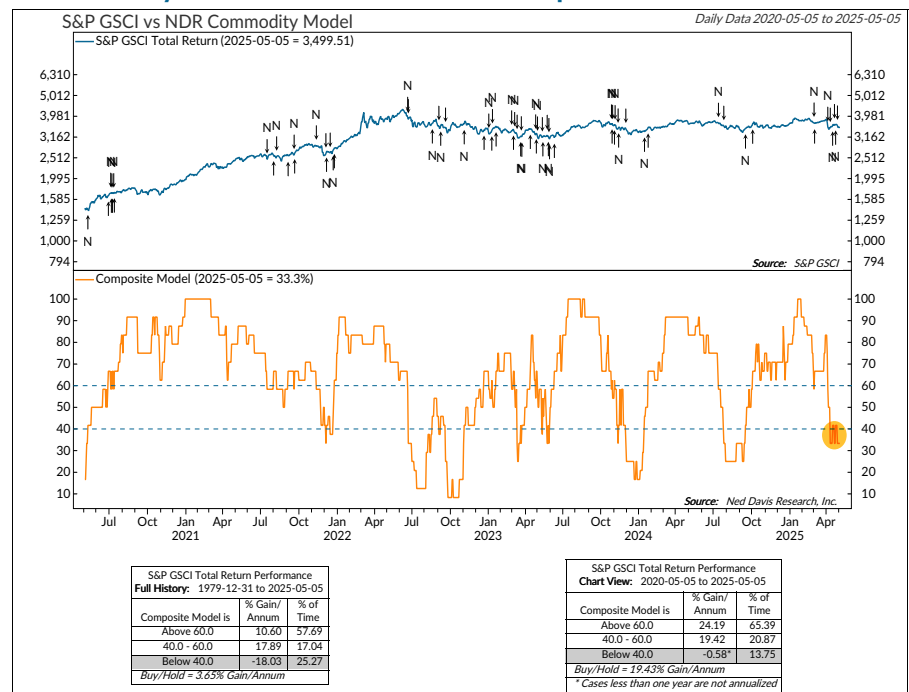
Sector positives

- Gold miners have underperformed bullion prices and could mean revert
- Materials is extremely oversold
- Clean energy transition and AI data center buildout should support copper prices

Sector negatives

- It has been the weakest bull market on record for Materials
- Falling China Credit Impulse Index suggests weak metal prices in 2025
- Growth slowdown will likely dent demand for commodities

Commodity model turned bearish in April



Customized version of COM800



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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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