Morning Briefing

Investment Insights and Ideas from CFRA

CFRA

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Monday, September 28, 2026

News You Can Use

Fundamental Research

- **Texas Instruments Incorporated (TXN 278 ****):** CFRA raises opinion to Buy from Hold. We keep our 12-month target at $310, based on ~22.5x our 2028 EPS, near peers but below historical. We keep our 2026 EPS at $8.45 but raise 2027 to $10.61 from $10.31 and 2028 to $13.78 from $12.42. The pending $7.5B acquisition of Silicon Laboratories (SLAB), expected to close 1H 2027, should drive better-than-expected utilization/gross margin upside (62% in 2027/64% in 2028; can get to high 60s) and deepens exposure to more attractive industrial, medical, and home appliance markets. This also supports a considerable improvement in TXN's FCF trajectory (+$12B annually by 2028 from $2.6B in 2025) as it has considerably eased up on capex spend following the heavy 300mm investments. With shares trading at more than a 20% discount to historical multiples (based on 2028 EPS), we see a favorable risk/reward set-up. Despite cyclical concerns, we believe industrial and automotive revenue remain well positioned amid a strong content growth story (industrials still below 2022 peak; auto growing mid-teens).
- **TD SYNNEX Corporation (SNX 263 ****):** CFRA upgrades rating to Buy from Hold. We raise our target price to $315 (from $300), based on 12x our FY 28 (Nov.) EPS estimate, a premium to SNX's ~10x-11x three- and five-year averages that we believe is justified by the company's AI infrastructure pivot and the compounding hyperscaler footprint within Hyve. We lift our EPS estimate to $21.25 (from $18.90) for FY 26, to $22.65 (from $19.75) for FY 27, and to $26.26 (from $22.49) for FY 28, on stronger dual-engine demand. Q3 FY 26 revenue of $21.6B (+38% Y/Y) and non-GAAP EPS of $5.68 were driven by Distribution billings of $24.8B (+27% Y/Y) and Hyve billings of $7.0B (+117% Y/Y) on higher hyperscaler volumes; inventory pre-positioning and the July storage and PC price increases also supported the print. Watch items remain gross margin compression, FCF of -$976M (-$2.2B YTD), and borrowings near $5.5B. We nonetheless believe continued demand conversion, Hyve new-customer shipments beginning, and elevated Distribution throughput outweigh those concerns and support the upgrade.

Before the Bell

- **U.S. Futures:** Indications generally lower on opening bell today
- **European Markets:** Generally trading higher today
- **Asian Markets:** Hong Kong closed higher, while Tokyo & Shanghai closed lower
- **Bond Yields:** 10-year notes at 5.217%, 30-year bonds at 5.525%
- **Foreign Exchange:** Euro at $1.137, Sterling at $1.326, Dollar at 156.90 yen
- **Precious Metals:** Gold at $4,182.30, Silver at $61.70
- **Energy:** WTI crude at $96.29, London Brent crude at $108.48

CFRA Webinar

2027 Energy Outlook. CFRA equity analysts Stewart Glickman and Arun Sundaram examined the key dynamics shaping the energy sector heading into 2027. The session covered scenario analyses for crude oil pricing, an assessment of geopolitical and structural risks, and CFRA's current sector positioning and stock-level views.

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Q4 History: Repeat or Retreat?

Sam Stovall, Chief Investment Strategist

Since WWII, the fourth quarter (Q4) of midterm election years has typically seen the S&P 500 benefit from the lifting of election uncertainty. Indeed, the "500" posted its second-best performance in Q4 of the entire 16-quarter presidential cycle, rising an average of 6.4% in price and advancing 85% of the time. Better yet, Q1 of the third year recorded the best results, gaining 7.0% and rising 90% of the time, while Q2 of year three was the third best. However, not all Q4s saw black ink, as minor-to-major declines of 0.7%, 6.3%, and 14.0% were posted in 1994, 1978, and 2018, respectively, all of which occurred at the beginning of new rate-tightening cycles. Add to this the realization that four pullbacks (-5.0% to -9.9%), four corrections (-10.0% to -19.9%), and one bear market (-20.0%+) started shortly before or during Q4 of midterm election years since 1946, implying that increased volatility may lie ahead. What's more, the percentage of the 153 sub-industries in the S&P Composite 1500 that remain above both their 10- and 40-week moving averages recently dropped sharply to 15% from the 58% recorded when the S&P 500 set its most recent new high on August 13. However, the market's resilience has been impressive, since it is currently less than 1% away from setting a new all-time high.

Should the 10-year yield continue to rise, which sectors and sub-industries may be most/least vulnerable to higher rates? The table to the right sorts S&P 500 sectors and sub-industries in descending order by their net debt-to-EBITDA (earnings before interest, taxes, depreciation, and amortization) ratio, with Communication Services, Energy, and Information Technology showing the lowest ratios, and Financials, Real Estate, and Utilities having the highest.

Representative companies from the sub-industries with the lowest net debt-to-EBITDA ratios are: **Applied Materials Inc. (AMAT 485 *****), NVIDIA Corporation (NVDA 225 *****), Deckers Outdoor Corporation (DECK 79 *****), Dell Technologies Inc. (DELL 563 *****), RH (RH 124 ***), Chubb Limited (CB 333 ****), Centene Corporation (CNC 62 ****),** and **Arista Networks Inc. (ANET 207 *****).**

Stat of the Day: Midterm Elections

Midterm election years (MTEYs) are historically weak years for the market, but 2026 is so far bucking the trend. MTEYs, or Year 2 of the presidential cycle, have historically delivered the weakest returns and the most volatility, particularly in Q2 and Q3. So far, however, 2026 has bucked the trend. After a 9% pullback through the end of March, the S&P 500 surged 14.9% in Q2, versus an average 2.6% decline in Q2 of MTEYs since WWII. – From "PEP ("Post-Election-Performers") Talk: Portfolio Strategy for the 2026 U.S. Midterm Election," a CFRA thematic research, published on MarketScope Advisor on September 1, 2026.

Benchmark, Sector, and Sub-Industry Net Debt to EBITDA Ratio*

Regions/Sizes/Sectors	Ratio	Best S&P 500 Sub-Industries	Ratio
S&P 500 Growth	**0.01**	Semiconductor Materials & Equip.	0.04
Information Technology	0.39	Semiconductors	0.09
S&P Global 1200	**0.93**	Footwear	0.10
Energy	1.00	Tech. Hardware/Storage/Peripherals	0.24
S&P 500	**1.15**	Homefurnishing Retail	0.31
Communication Services	1.26	Property & Casualty Insurance	0.32
Health Care	1.66	Managed Health Care	0.35
Materials	1.76	Communications Equipment	0.45
S&P 500 Value	**1.90**	**Worst S&P 500 Sub-Industries**	**Ratio**
Consumer Staples	1.95	Cable & Satellite	4.92
Consumer Discretionary	2.06	Independent Power Producers	4.94
Industrials	2.15	Water Utilities	5.35
S&P MidCap 400	**3.05**	Electric Utilities	5.71
S&P SmallCap 600	**3.45**	Multi-Utilities	5.91
Real Estate	5.39	Agricultural & Farm Machinery	6.73
Utilities	5.69	Casinos & Gaming	6.88
Financials	NM	Automobile Manufacturers	7.09
ND/EBITDA<S&P 500	**20%**	**Sub-Ind. ND/EBITDA<S&P 500**	**29%**

Source: CFRA, S&P Global Market Intelligence. *As of 9/24/26.

What Lies Ahead

Table 1: Quarterly Earnings Release Calendar

Company	Ticker	Expected Release Date	Before the Open or After the Close?	Consensus Estimate ($)
Carnival Corporation Ltd.	CCL	September 29	Before	1.35
CarMax Inc.	KMX	September 29	Before	0.72

Source: CFRA, S&P Capital IQ Consensus Estimates, Company Reports. Note: This list represents only a selection of companies scheduled to release earnings in the period indicated.

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