



Are REITS Right For A Bond Rally?

Over the past six months, the 10-year Treasury yield rose by nearly a full percentage point, and REITs (Real Estate Investment Trusts) paid the price. XLRE, the State Street Real Estate ETF, was essentially flat, whereas the S&P 500 gained 18%. Clearly, higher yields are influencing REIT prices more than equity performance; thus, our question is: are REITS a good equity sector to buy if you think yields have peaked and will decline? To assess this, we looked at the correlations of XLRE's top holdings to 2yr, 5yr, and 10yr Treasury yields. We also considered the recent relative performance to the S&P 500 and the REITs' respective subsectors.

The broad takeaway is that while it's easy to blame the surge in bond yields for the poor performance, rate sensitivity isn't uniform across the stocks we analyzed, and other factors matter. Here are a few takeaways from the table summarizing our findings, as shown in the graphic.

- XLRE's correlation to daily yield changes was -0.39.
- The most rate-sensitive names did not have the most negative correlation to yield changes. To wit, Weyerhaeuser, Digital Realty, and Host Hotels, which are economically cyclical businesses, were among those with the highest negative correlations.
- Host Hotels tracked the S&P 500 despite its high negative correlation.
- Welltower and Ventas, the senior housing REITs that make up roughly 16% of XLRE, showed no meaningful link to yields. Healthpeak Properties was the only holding to beat SPY over six months, while Welltower and Host Hotels were close.
- Cell tower REITs and CoStar (data) also had weak correlations, yet they were among the worst performers. Their struggles appear tied to industry and company fundamentals rather than rates.
- Net lease firms, like Realty Income and VICI, had modest daily correlations but trailed SPY by 28 to 33 points. Their margins are under pressure from rising funding costs, but long-term fixed rents largely remain stable.

Rates matter for REITs, but they explain only part of the price action. With most correlations ranging between -0.2 and -0.4, which explains some of the negative performance, property type, growth, and balance sheets also drove performance divergence within the sector.

REIT Rate Sensitivity: Correlation to Treasury Yields vs. Relative Performance

Top 24 XLRE holdings. Correlation of daily price returns to daily changes in Treasury yields, 4/1/26 to 9/29/26 (125 trading days). Excess return vs. SPY through 9/30/26.

Name	Ticker	Property Type	Correlation			Excess Return vs. SPY (pp)		
			2Y	5Y	10Y Correlation	1M	3M	6M
CBRE Group	CBRE	Commercial RE Services	-0.38	-0.43	-0.44	-11.3	-6.7	-22.4
Weyerhaeuser	WY	Timberland	-0.36	-0.42	-0.44	-17.9	-22.5	-39.3
Digital Realty Trust	DLR	Data Centers	-0.36	-0.39	-0.40	-4.8	-4.4	-19.9
Host Hotels & Resorts	HST	Lodging	-0.32	-0.37	-0.38	+2.7	-7.7	-0.4
Iron Mountain	IRM	Records Storage / Data Ctrs	-0.35	-0.38	-0.37	-3.2	-14.3	-8.6
Extra Space Storage	EXR	Self-Storage	-0.33	-0.36	-0.36	-6.2	-11.6	-17.0
Healthpeak Properties	DOC	Health Care (MOB / Lab)	-0.30	-0.35	-0.34	-3.5	-8.8	+4.3
Simon Property Group	SPG	Retail (Malls / Outlets)	-0.30	-0.35	-0.33	-4.9	-12.4	-9.6
Public Storage	PSA	Self-Storage	-0.29	-0.33	-0.32	-7.3	-13.3	-12.9
Invitation Homes	INVH	Single-Family Rental	-0.26	-0.29	-0.31	-9.1	-15.0	-11.3
Kimco Realty	KIM	Retail (Shopping Centers)	-0.33	-0.32	-0.29	-5.8	-14.5	-18.4
Equinix	EQIX	Data Centers	-0.19	-0.24	-0.28	-2.8	-5.1	-14.1
Prologis	PLD	Industrial / Logistics	-0.30	-0.28	-0.26	-6.6	-6.3	-19.0
Mid-America Apartment	MAA	Apartments (Sunbelt)	-0.24	-0.24	-0.24	-8.0	-17.4	-20.9
Regency Centers	REG	Retail (Grocery-Anchored)	-0.25	-0.24	-0.23	-3.3	-12.0	-22.3
Realty Income	O	Net Lease	-0.26	-0.25	-0.23	-10.8	-14.5	-28.5
VICI Properties	VICI	Gaming / Experiential	-0.24	-0.22	-0.21	-9.9	-15.6	-33.2
Essex Property Trust	ESS	Apartments (West Coast)	-0.16	-0.16	-0.18	-4.2	-9.7	-5.9
SBA Communications	SBAC	Cell Towers	-0.13	-0.14	-0.13	-15.0	-11.4	-24.2
Crown Castle	CCI	Cell Towers / Fiber	-0.13	-0.13	-0.12	-11.9	-14.1	-35.3
American Tower	AMT	Cell Towers	-0.16	-0.13	-0.11	-6.3	-2.1	-22.4
CoStar Group	CSGP	RE Data & Marketplaces	-0.04	-0.05	-0.06	-14.0	-5.4	-49.3
Welltower	WELL	Health Care (Senior Hsg)	-0.06	-0.04	-0.01	-2.0	-0.7	-0.8
Ventas	VTR	Health Care (Senior Hsg)	-0.06	-0.02	+0.01	-6.2	-6.4	-13.3
Real Estate Select Sector SPDR	XLRE	Sector ETF (benchmark)	-0.39	-0.40	-0.39	-6.7	-9.2	-17.1

Statistically significant ($|r| \geq 0.18$)

Not significant at 95%

Outperformed / underperformed SPY

Notes: Negative correlation means the stock tends to fall on days yields rise. Excess return = stock price return minus SPY price return (percentage points), dividends excluded.
 1M/3M/6M base dates: 8/31/26, 6/30/26, 3/31/26. Yield data through 9/29/26. Vismark Residential (VMRK) excluded due to limited trading history. Holdings weights as of 9/30/26.
 Source: Morningstar Market Data (prices); U.S. Treasury yields; RIA Advisors calculations. For informational purposes only; not investment advice.

What To Watch Today

Earnings

Company (Ticker)	Timing	EPS est.	Rev. est.
PepsiCo (PEP)	Before open	\$2.30	\$25.0B

Economy

Time (ET)	Release (period)	Prior	Consensus	Forecast
8:30 AM	Initial Jobless Claims (week ending Oct. 3)	197K	195K to 200K	n/a
1:00 PM	30-Year Bond Auction (\$22B reopening)	5.308%	n/a	n/a

Fed speakers: St. Louis Fed President Alberto Musalem (time to be confirmed).

Market Trading Update

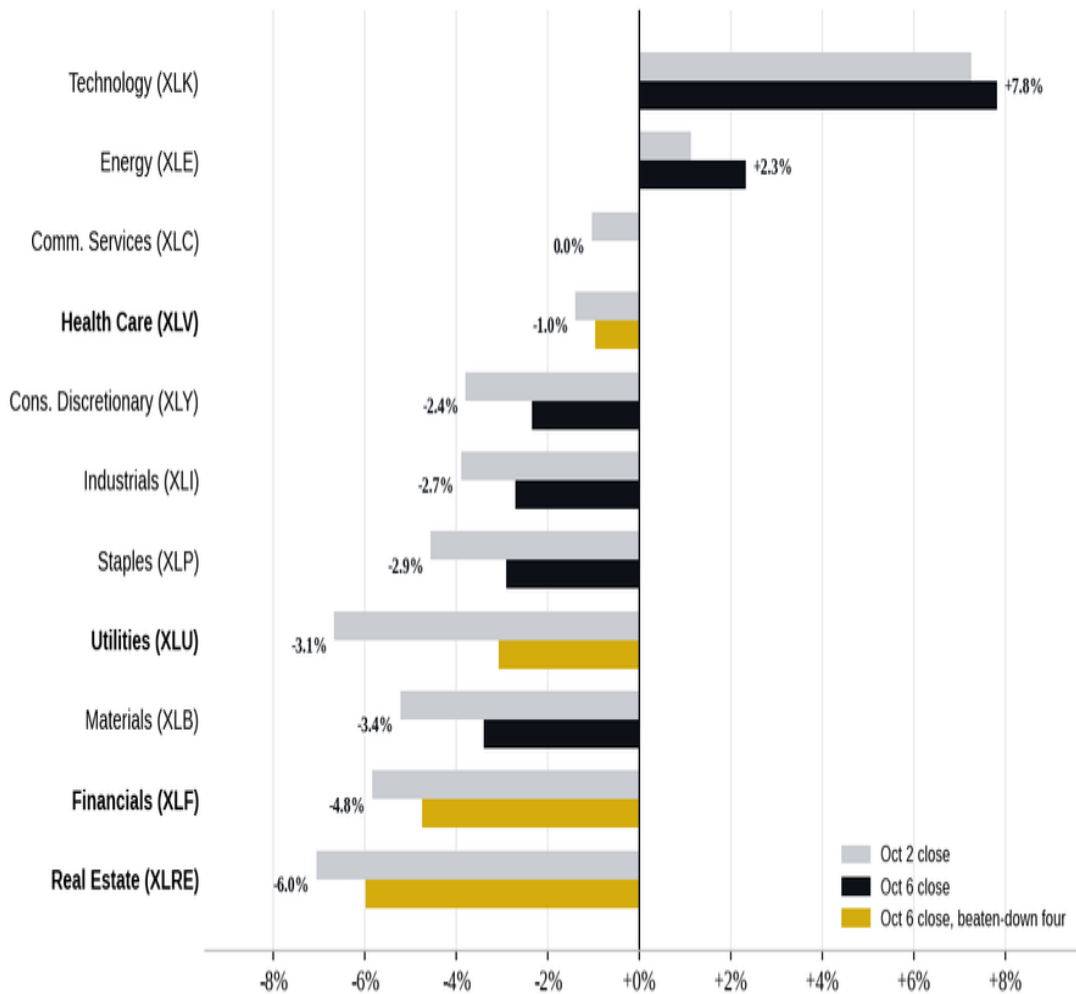
Yesterday, we walked through the [Russell 2000](#) short-squeeze setup, noting that small caps were the likeliest first stop for any squeeze. Today, I want to check the market breadth signals across the rest of the tape. Is the "broadening" finally reaching the beaten-down sectors of real estate, health care, financials, and utilities?

Start with the headline. The S&P 500 closed Tuesday at 7,819, its first close above 7,800 and a fresh record. Yet fewer than a third of its members trade above their 50-day moving average, depending on whose count you use. That's a record standing on very few shoulders.

Now for the improvement. In Saturday's [Bull Bear Report](#), only technology and energy sat above their 50-day averages. Real estate was 7.1% below its line, utilities 6.7%, and financials nearly 6%. By Tuesday's close, all four laggards had narrowed that gap. Utilities did the heavy lifting, rallying 3.3% in two sessions to cut the deficit to 3.1%. Health care sits just 1% below its average, the closest to a reclaim.

SECTOR DISTANCE FROM 50-DAY MOVING AVERAGE

Select Sector SPDR ETFs, % above or below 50-day simple moving average · Oct 2 vs Oct 6, 2026

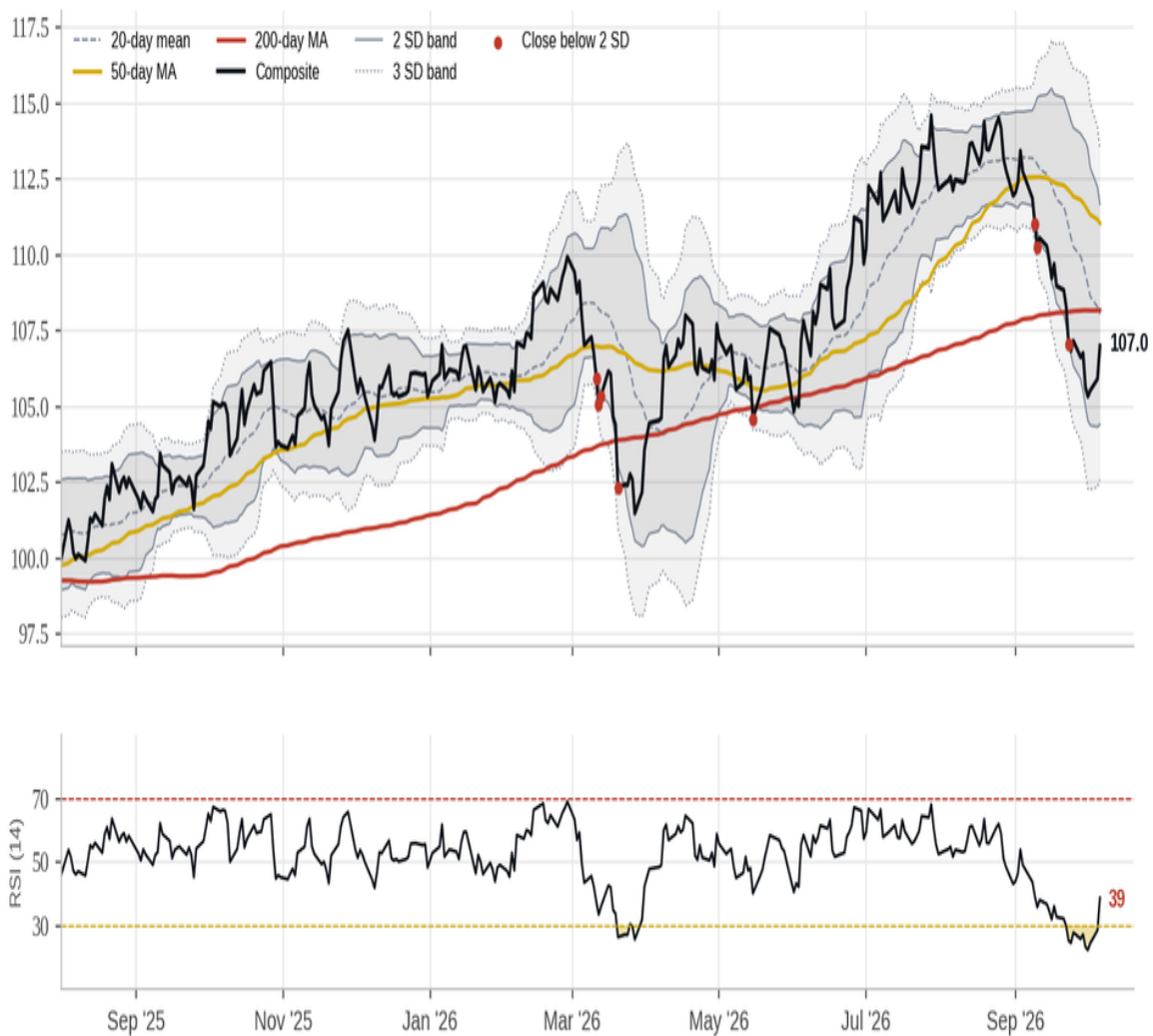


Source: RIA Advisors. Data: Massive Market Data (daily adjusted closes), Oct 2 readings tied out vs the Oct 3 Bull Bear Report. As of Oct 6, 2026 close.

Notice in the composite chart below how stretched the selling got. The equal-weight blend of the four closed below its lower 2 SD band three times in September. Its RSI fell to 22 on Oct. 1, the deepest oversold reading since the April 2025 tariff low. It's since recovered to 39.

BEATEN-DOWN SECTOR COMPOSITE: DAILY BOLLINGER BANDS

Equal-weight, daily-rebalanced XLRE, XLV, XLF, XLU (rebased to 100 on Aug 1, 2025) · 20-day BB at 2 and 3 SD · 50/200-day MA · RSI (14)



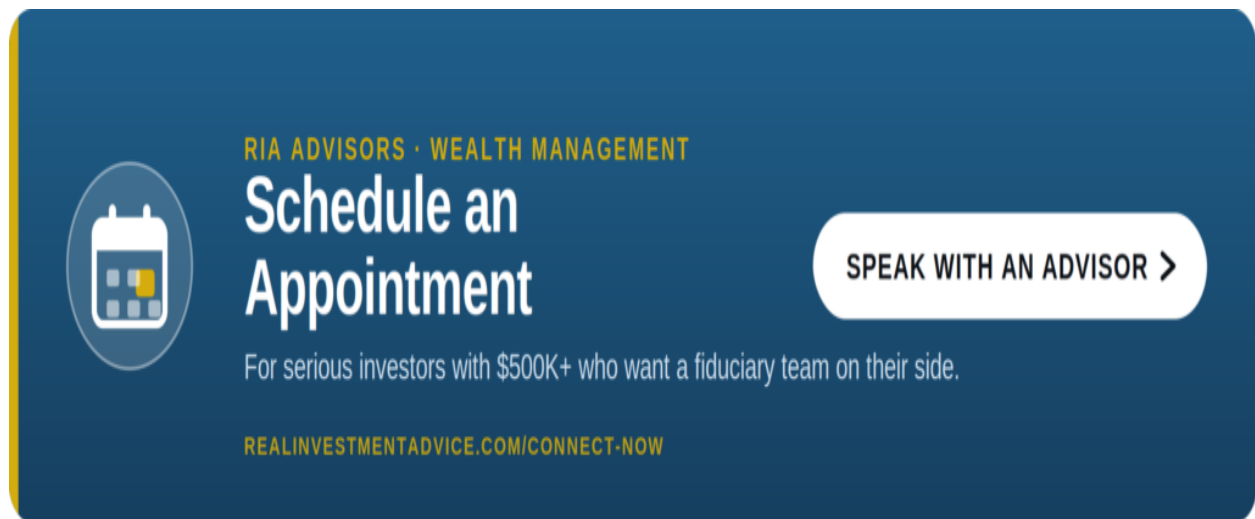
Source: RIA Advisors. Data: Massive Market Data (daily adjusted closes), Oct 2 sector reads tied out vs the Oct 3 Bull Bear Report. As of Oct 6, 2026 close.

But a bounce is **NOT** a trend change. The composite still sits 3.6% below a falling 50-day average and 1.1% below its 200-day average. The broader tell hasn't moved either. The ratio of equal-weight to cap-weight S&P 500 is down 4.3% since June 30 and flat since Friday. Such is the nature of a narrow market. The laggards bounced, but so did the leaders.

?So you're saying the rotation is dead money?? Not quite. Bob Farrell's Rule #7 says markets are strongest when they're broad and weakest when they narrow to a handful of names. **Breadth doesn't have to be good for the rally to continue, but it has to improve for the rally to last.** The swing factor remains rates. With the 10-year near 5.26%, these sectors need a move back below 5%, and today's 30-year auction is the next test.

In the ETF Sector Rotation Model, we aren't chasing the bounce. Health care is first in line on a close above its 50-day average. Utilities and financials need the composite back above its 200-day and the equal-weight ratio turning higher. Meanwhile, technology sits 7.8% above its 50-day, so trimming it back to target weight funds the rotation before it shows up. **Let the laggards prove it, and keep stops where they belong.**

Cheap can always get cheaper. It usually waits until you've bought.

A dark blue banner with a yellow vertical bar on the left. On the left is a white calendar icon with a yellow square. To its right, the text "RIA ADVISORS · WEALTH MANAGEMENT" is in yellow. Below that, "Schedule an Appointment" is in large white font. Underneath is the text "For serious investors with \$500K+ who want a fiduciary team on their side." in white. On the right is a white button with the text "SPEAK WITH AN ADVISOR >". At the bottom, the URL "REALINVESTMENTADVICE.COM/CONNECT-NOW" is in yellow.

RIA ADVISORS · WEALTH MANAGEMENT

Schedule an Appointment

For serious investors with \$500K+ who want a fiduciary team on their side.

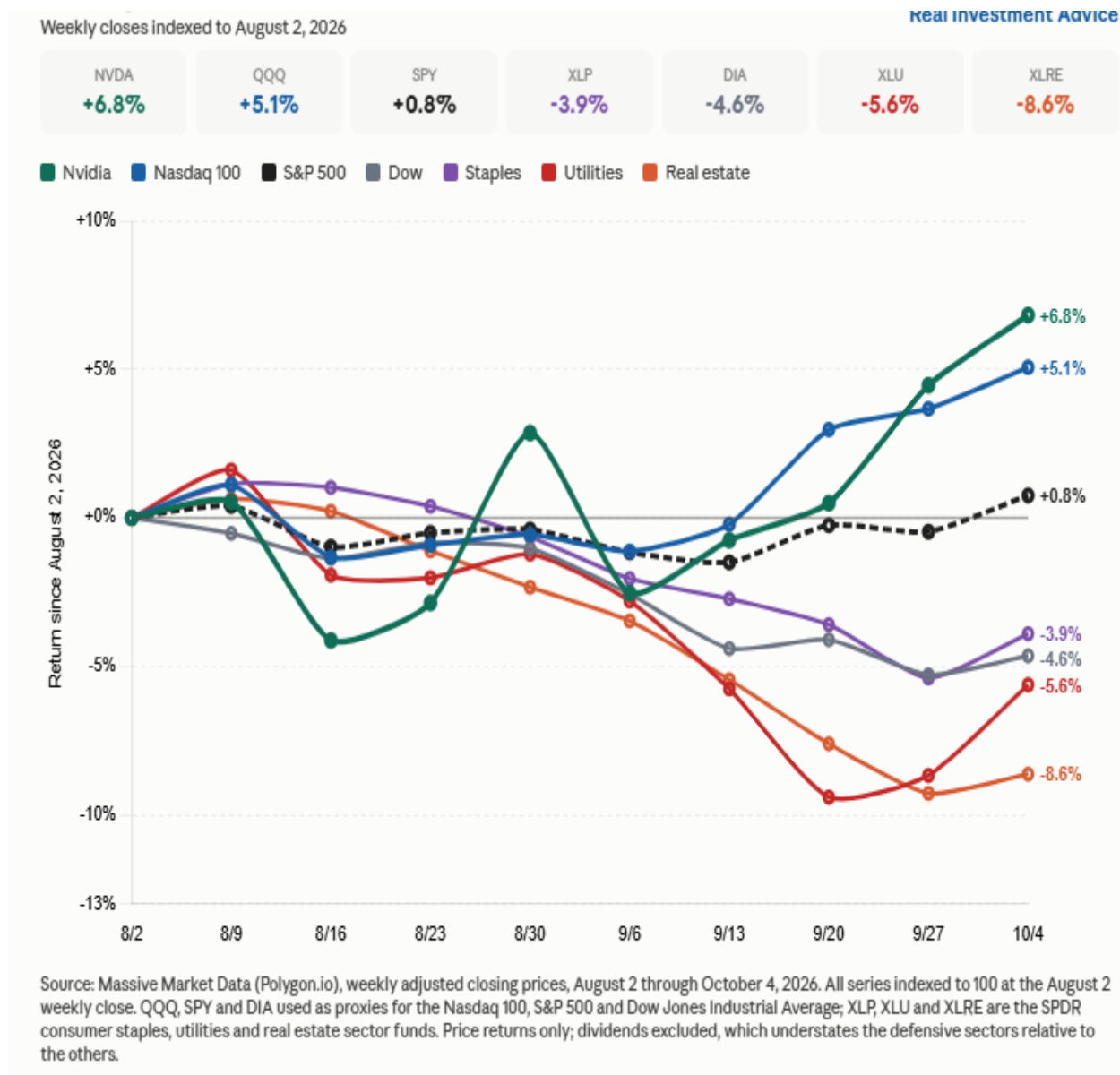
[REALINVESTMENTADVICE.COM/CONNECT-NOW](https://realinvestmentadvice.com/connect-now)

SPEAK WITH AN ADVISOR >

NVDA Booms While Breadth Continues To Narrow

Nvidia set all-time highs Tuesday, and its market value is quickly approaching \$6 trillion. The S&P 500 also set a record, closing above 7,800 for the first time. While both make for positive headlines for the stock market, neither says much about what's happening to the broader market

Since the start of August, Nvidia has gained nearly 7%, with the Nasdaq closely following. The S&P 500 is up slightly, balancing gains in technology stocks with weakness across many other sectors. The graph below shows stark divergences in returns since August 1, 2026, with many interest rate-sensitive sectors, like REITs, down moderately. While we led today's Commentary analysis of REITS, some of the sectors shown below and others not shown are due for a period of outperformance versus the market, but that may not occur before stability and possibly lower yields can be had in the bond market. Such may have to wait for some sort of peace agreement with Iran.



Worried Consumers Keep Spending: Here's Why

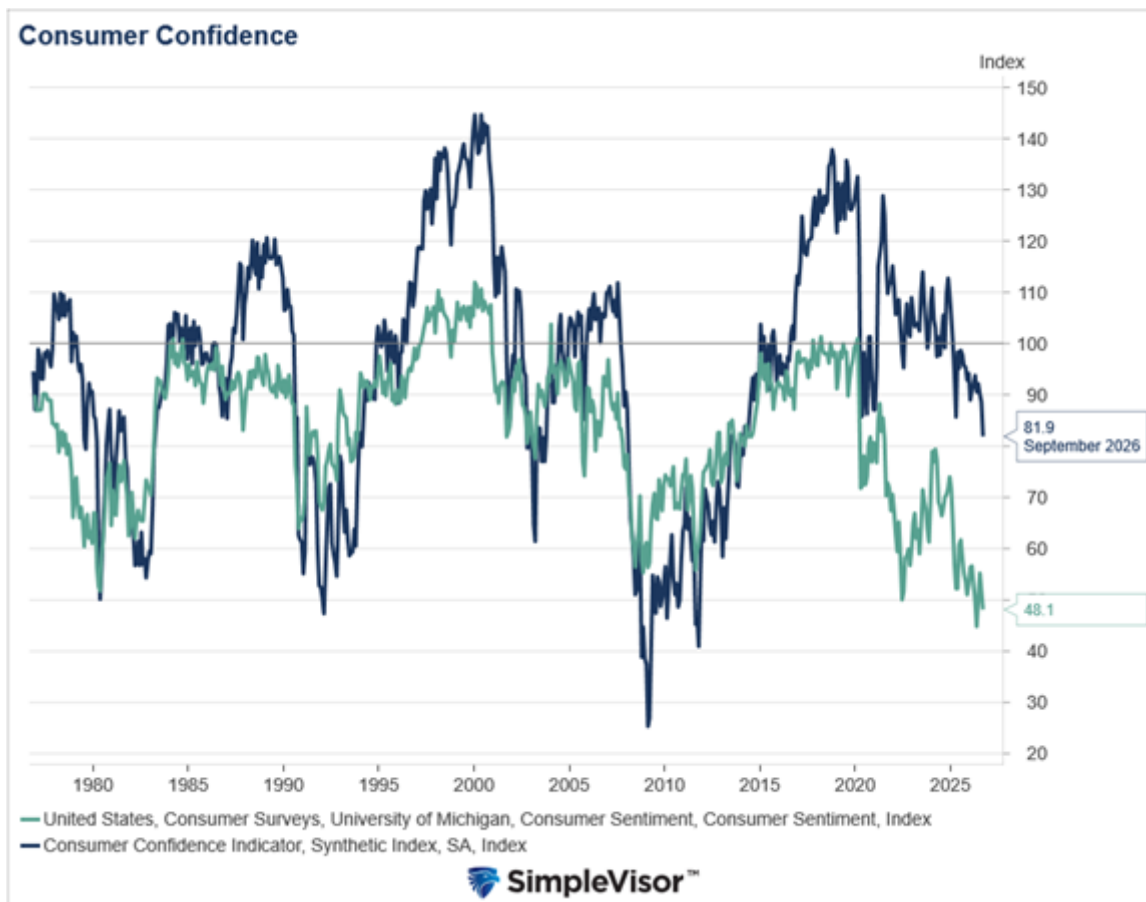
For nearly four years, economists have been predicting that consumers would fail the economy. To their point, sustained high inflation, the fastest Fed tightening cycle in decades, and more recently, surging gasoline prices and interest rates should be taking a toll on consumer spending.

In some respects, those and other factors are weighing on the consumer's mind. As we share below, the University of Michigan Consumer Sentiment gauge sits at a 50-year low, and the less politically biased Conference Board Consumer Confidence Index is down to 2014 levels.

Yet despite many reasons for consumers to retrench, real personal consumption expenditures (PCE) grew 2.6% through September.

To better understand this resilience, we built a Consumer Health Index. The index combines income, labor, credit, spending, and price data that should explain how much consumers can afford to spend. We then compare our index to PCE, or what consumers have actually spent. The gaps between the two tell an important story about where spending power is coming from and how durable it may be.

[READ MORE?](#)





FOR THE DO-IT-YOURSELF INVESTOR

Don't Invest Alone. Try SimpleVisor.

Pro-grade research and portfolio tools, built by the RIA pros.

[SIMPLEVISOR.COM](https://simplevisor.com)

START FREE >

Tweet of the Day



Liz Ann Sonders  @LizAnnSonders · Oct 1



MBA refinance applications fell 8.7% last week, reaching their slowest pace in over a year @MBAmortgage



Trading Rules With Desktop Printout

?Want to achieve better long-term success in managing your portfolio? Here are our [2013266080;15-trading rules for managing market risks.?](#)

Please [subscribe to the daily commentary](#) to receive these updates every morning before the opening bell.

If you found this blog useful, please send it to someone else, share it on social media, or contact us to set up a meeting.