

Sector opportunities for Q4 2025



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Explore our Q4 outlook on sector trends highlighting what we believe are the best sectors to invest in now and why—along with ETFs you can use to access them.

- **Technology:** [SPDR® Galaxy Transformative Tech Accelerators ETF \(TEKX\)](#)
- **Regional Banks:** [SPDR® S&P® Regional Banking ETF \(KRE\)](#)
- **Metals & Mining:** [SPDR® S&P® Metals & Mining ETF \(XME\)](#)

US equities extended their rally for another quarter with strong momentum driven by AI tailwinds, a resilient US economy, and the Fed's dovish pivot. The S&P 500 was up 8.1% in Q3, marking 23 new all-time highs without having a greater than 3% drawdown since early June.¹

But sector leadership was narrow. Tech, Communication Services, and Consumer Discretionary were the only sectors to outperform. And despite their performance leadership, Tech and Communication Services lagged cyclical sectors—Financials, Industrials, and Materials—in terms of inflows as investors looked for opportunities outside of the big AI players.

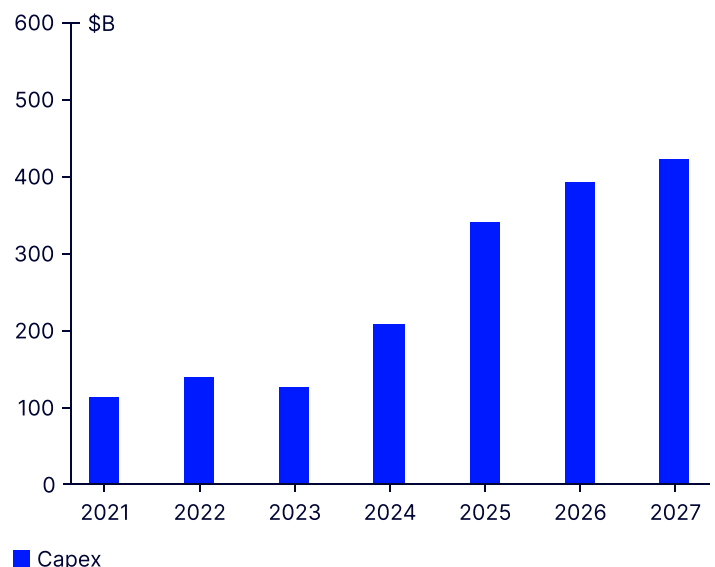
With US [growth expected to improve in 2026](#) supported by monetary easing and continued AI infrastructure investment, we've identified three growth opportunities—AI and digital asset infrastructure, regional banks, and metals & mining.

Tech accelerators: The convergence of AI and digital asset infrastructure

Investment in AI data center infrastructure continues to show strong momentum as demand for compute power outpaces supply. McKinsey projects an investment of \$6.7T in data centers worldwide is required by 2030 to keep pace with the demand for compute power.²

The AI arms race has lifted capex projections of major US hyperscalers to more than \$400B over the next two years, almost double the amount in 2024 (Figure 1). OpenAI's \$400B investment in AI infrastructure through the Stargate Project over the next three years and its \$300B cloud service deal with Oracle underscore the insatiable demand for compute power.

Figure 1: Insatiable demand for AI infrastructure



Source: FactSet, as of September 30, 2025. Major hyperscalers include Amazon, Alphabet Inc., Meta, Microsoft, and Oracle.

As surging demand for data centers comes up against a growing shortfall in available power, bitcoin miners that have already secured large-scale power supply and critical power infrastructure equipment are the frontrunners in the race to provide infrastructure for AI compute.

For example, last June, Core Scientific, one of the largest global bitcoin miners, won a 12-year contract worth more than \$3.5B from CoreWeave, one of the leading cloud providers focusing on AI solutions, to provide 220 megawatts (MW) high-performing computing (HPC) infrastructure capacity to host CoreWeave's AI workload.

Core Scientific converted its existing bitcoin mining infrastructure to host AI workloads, which required a much shorter timeframe than building new AI data centers. CoreWeave then expanded the contract to approximately 590 MW capacity, boosting the total projected revenue for Core Scientific to \$10.2B. CoreWeave even pursued the acquisition of Core Scientific in July.³ And the market debate on the valuation of Core Scientific in the proposed acquisition only underscored the upside potential for bitcoin miners with suitable infrastructure for AI compute.

By expanding into AI compute, bitcoin miners can create more predictable, high margin cash flows and diversify into markets less correlated with crypto to enhance their financial stability. These advantages also may drive their stock valuations higher, given their significant valuation discount to data center operators.

Notably, not all miners are positioned to capitalize on the AI opportunity, as most crypto mining infrastructure cannot be directly transferred to AI data centers. Miners that have not secured the supply for power capacity or infrastructure components will face bottlenecks and delays in the transition.

To capture opportunities in the convergence of AI and digital asset infrastructure, consider taking an active approach to identify potential winners. The [SPDR® Galaxy Transformative Tech Accelerators ETF \(TEKX\)](#) seeks to provide long-term growth potential through the selection of companies enabling digital assets and AI technologies.

Regional banks: Margin expansion and M&A momentum

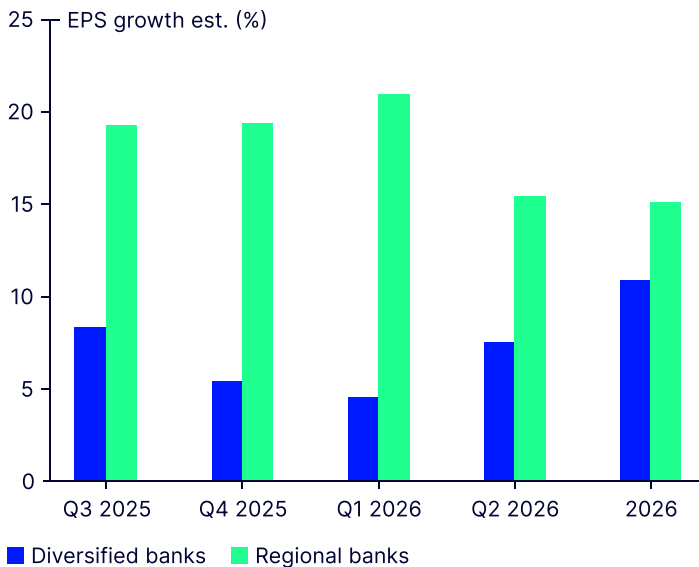
Regional banks' relative performance to the broad market remains range bound, lagging the S&P 500 by 5.2% year to date, despite a steepening yield curve and improving profitability.⁴ This disconnect may present an opportunity, as the macro backdrop increasingly favors smaller banks.

A steepening yield curve driven by interest rate cuts and a sustained rebound in loan demand in the absence of recession likely will support regional bank earnings growth into 2026. While net interest margins (NIM) for the overall banking industry have been relatively flat over the past four quarters driven by the decline in big banks, smaller banks have shown stronger margin expansion.⁵ Banks with less than \$10B assets are now reporting their highest NIM levels of the past four years.⁶

Meanwhile, the industry's annual rate of loan growth reached 4% in Q2—the highest rate in three years—after six consecutive quarters of improvement.⁷ With lower rates expected for 2026 and tariffs' drag on business sentiment easing, loan growth may continue to recover next year.

Regional banks, which rely more heavily on lending and are more sensitive to short-term rates, stand to benefit more from margin expansion and increasing loan demand. Indeed, regional bank earnings growth expectations far exceed those of diversified banks for the coming quarters and 2026 (Figure 2).

Figure 2: Regional banks' earnings growth is expected to exceed large banks



Source: FactSet, as of September 30, 2025. Diversified banks = S&P 1500 Diversified Banks subindustry. Regional banks = S&P 1500 Regional Banks subindustry.

M&A activity in the banking sector is gaining traction in a more favorable regulatory environment, as the FDIC and OCC roll back Biden-era merger policies and explore ways to streamline the approval processes.⁸

Combined with potential excess capital from relaxing capital requirements, the wide valuation gap between large and small banks further supports the likelihood of more acquisitions. Large banks are trading at or near their largest premium to regional banks in 15 years.⁹

In fact, we've already seen green shoots in bank M&A deals this year. Fifth Third's recently announced acquisition of Comerica for \$10.9B will create the nation's ninth-largest bank.¹⁰ With 37 deals completed year to date and a total deal value of \$23B, the banking industry is on pace for the fourth-largest M&A year since 2008.¹¹

To pursue small banks' strong growth potential at attractive valuations and benefit from increasing bank M&A activity, consider the [SPDR® S&P® Regional Banking ETF \(KRE\)](#) for its tilt toward small US banks due to its modified equal-weighted methodology.

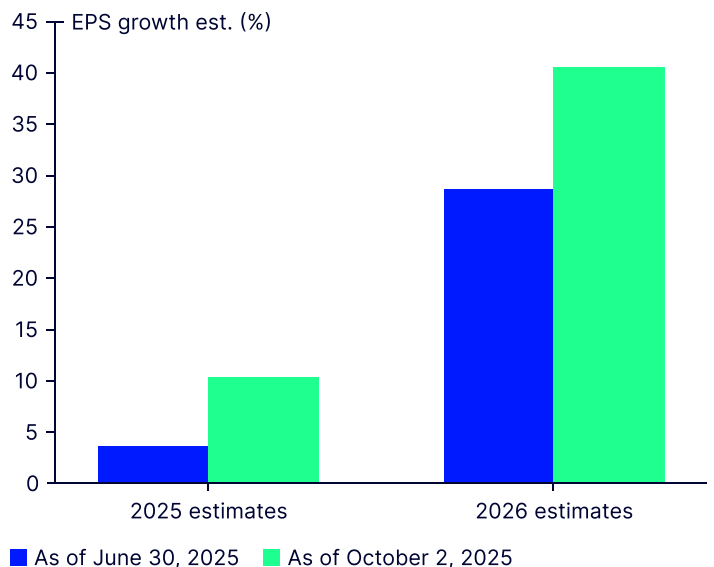
Metals & mining: A favorable supply-demand dynamic

Surging more than 60% since April, metals & mining stocks recently surpassed 2008's all-time high. The recent rally may be overextended and potentially lead to a pullback in the near term. But the case for the industry over the longer term remains decisively bullish, underpinned by powerful secular demand and an improved growth outlook.

The significant increase and expansion of tariffs on steel, aluminum, and copper announced in June have delivered a powerful earnings tailwind for US miners and producers by driving prices higher. This policy shift has triggered a wave of upward revisions to industry earnings forecasts for 2025 and 2026 since June (Figure 3).

If these growth rates are realized, the industry will end three consecutive years of negative growth and outpace the broad market and Materials sector by a large margin.

Figure 3: Improved growth outlook of the metals & mining industry



Source: FactSet, as of October 2, 2025. The metals and mining industry = S&P Metals & Mining Select Industry Index.

While precious metals have been exempted from tariffs, the strong rally in gold—up 44% year to date¹²—has directly boosted gold miners' cash flow and asset valuations, supporting their stock prices. With falling real yields, a weaker US dollar, and strong investor demand for diversification and inflation hedging amid geopolitical uncertainties, our Gold Strategy Team believes the current bull market in gold still has room to run.

A more positive outlook of supply-demand balance in copper markets also supports the industry. The production loss caused by a catastrophic mud rush at Grasberg Block Cave, the world's second largest copper mine, is expected to notably widen the global copper supply shortfall in 2026 and 2027 and send copper prices to new record highs in October.¹³

Current supply disruptions have created near-term price support, but structural deficits driven by global energy transition and surging demand from AI data centers may persist over the next few years.

New AI data centers are expected to significantly increase copper demand; forecasts project an increase from one million to more than two million tonnes by 2030.¹⁴ Copper's superior conductivity makes it essential for power distribution, networking cables, and cooling infrastructure of AI data centers. The demand from AI data centers comes on top of the already rising copper demand from the global energy transition, which includes electric vehicles (EVs) and renewable energy infrastructure.

Based on the metals and mining industry's improved profitability driven by more favorable supply-demand dynamics, consider the SPDR® S&P® Metals & Mining ETF (XME).

To learn more about emerging sector investment opportunities, visit our sectors webpage.

Endnotes

- 1 Bloomberg Finance, L.P., as of October 3, 2025.
- 2 McKinsey, "The cost of compute: A \$7 trillion race to scale data centers," as of April 28, 2025.
- 3 Core Scientific, as of February 26, 2025.
- 4 Bloomberg Finance, L.P., as of September 26, 2025.
- 5 Quarterly Banking Profile, FDIC, as of August 26, 2025.
- 6 Quarterly Banking Profile, FDIC, as of August 26, 2025.
- 7 Quarterly Banking Profile, FDIC, as of August 26, 2025.
- 8 Barclays, "Bank M&A Begins to Rebound as Regulatory Tailwinds Drive Increasing Confidence in Deals," as of September 29, 2025.
- 9 FactSet, as of September 29, 2025. Large banks are represented by the S&P 500 Bank industry. Regional banks are represented by the S&P 1500 Regional Bank subindustry index. Based on price-to-book and price-to-earnings.
- 10 Reuters, as of October 6, 2025.
- 11 Barclays, Bank M&A Update, as of September 19, 2025.
- 12 Bloomberg Finance, L.P., as of October 2, 2025.
- 13 Reuters, "Grasberg disaster highlights fragility of copper supply chain," September 29, 2025.
- 14 Macquarie, as of January 2025.

Glossary

Net Interest Margin (NIM): The difference between the revenue that is generated from a bank's assets and the expenses associated with paying out its liabilities.

statestreet.com/investment-management

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ID3310350-7158165.5.2.AM.RTL 1025 Exp. Date: 10/31/2026