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Monthly Insights: April Outlook

Information Technology Sector

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Sector Price Action & Performance Review: Information Technology Sector

Technology Select Sector SPDR Fund — Daily
50-day & 200-day Moving Averages
with MACD (12,26,9) & RSI (14)

226.43
226.15
206.38

Technology Select Sector SPDR Fund - Total Return Relative to S&P 500 (TR)
92.70

0.22
-4.17
-4.39

35.97

The Information Technology Sector is on the ropes...oversold and at long-term support. The mid-month rally got snuffed out before it got close to the 200-day moving average. Now the MACD oscillator is on the cusp of another tactical sell signal despite oversold conditions

The above is to say, Technology shares are leading the market lower along with the Discretionary sector. A fresh 52-week relative-low vs. the S&P 500 is the icing on the cake.

Lifelines for the Tech sector correspond with those generally, dialing back the tariff angst, getting the Fed back on a dovish path where lower rates will keep the consumer in the game and the cycle expanding. Each of those potential tailwinds are challenged at present with no evidence in hand that they are getting closer to reality. Investors have been de-risking and profit taking and in both cases that has resulted in Tech Sector selling.

We remain with some allocation to the Tech sector due to the unpredictable pivots that accompany tariff policy by international bully pulpit. That seems to be what is in front of us for the foreseeable future. With no technical signs of divergence away from the recent downtrend, we remain underweight.

We start March out of the Information Technology Sector with an UNDERWEIGHT allocation of -12.53% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

3/30/2025

Fundamentals: Information Technology Sector
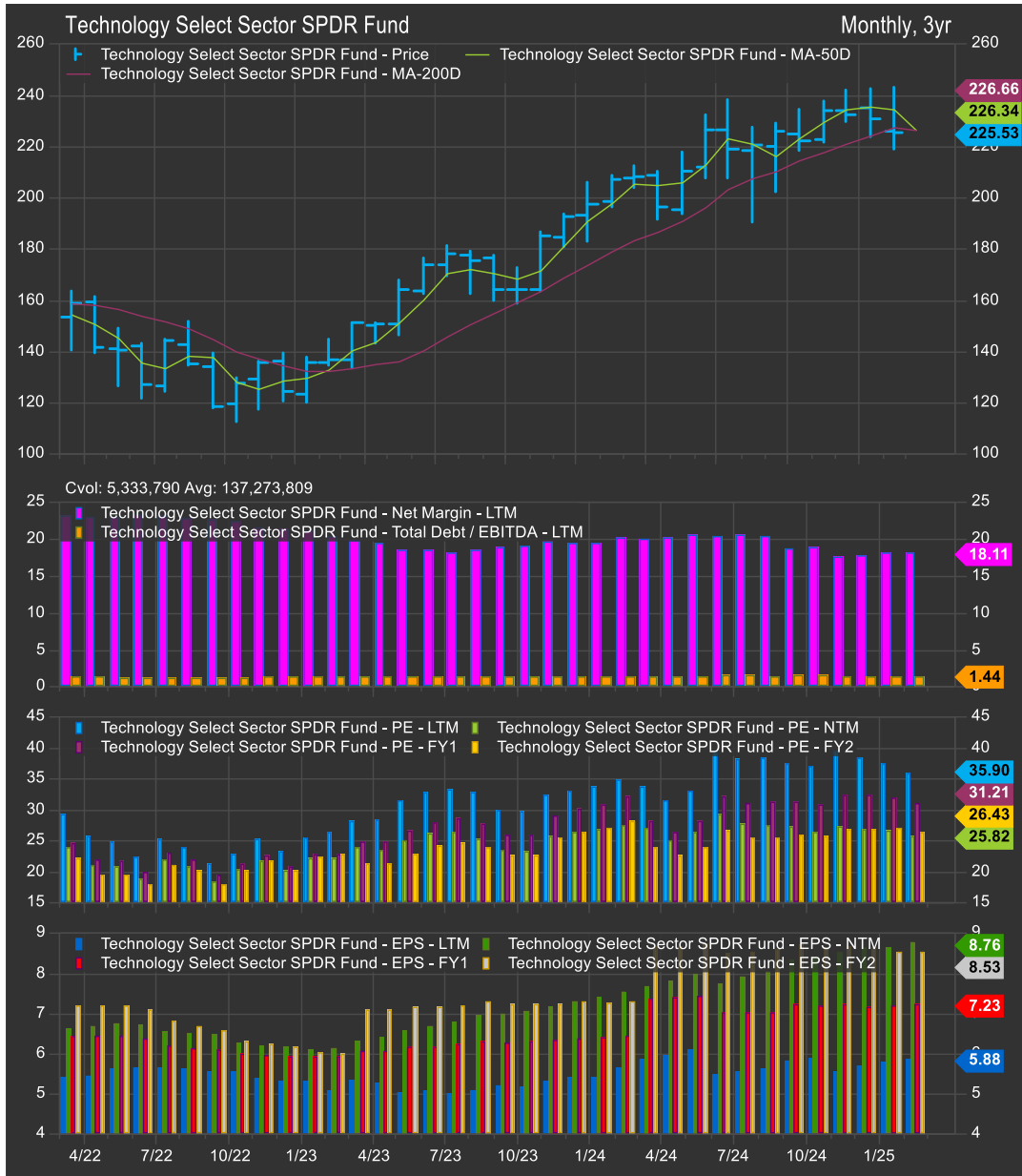
The chart (left) shows S&P 500 Information Technology Sector Margins, Debt/EBITDA, Valuation and Earnings

Margins contracted in the back half of 2024 (chart, panel 2) while valuation multiples have been steadily expanding based on current and (panel 3).

Consensus forward earnings estimates still project earnings for the sector to grow >20% YoY which is a stout expectation in the face of weakening economic data in the near-term

Present valuations >35X are justified by future earnings growth, but that represents a lot of good news that's already been priced in. The bar is high for the sector.

Industry/Sub-Industry Performance and Breadth: Information Technology Sector
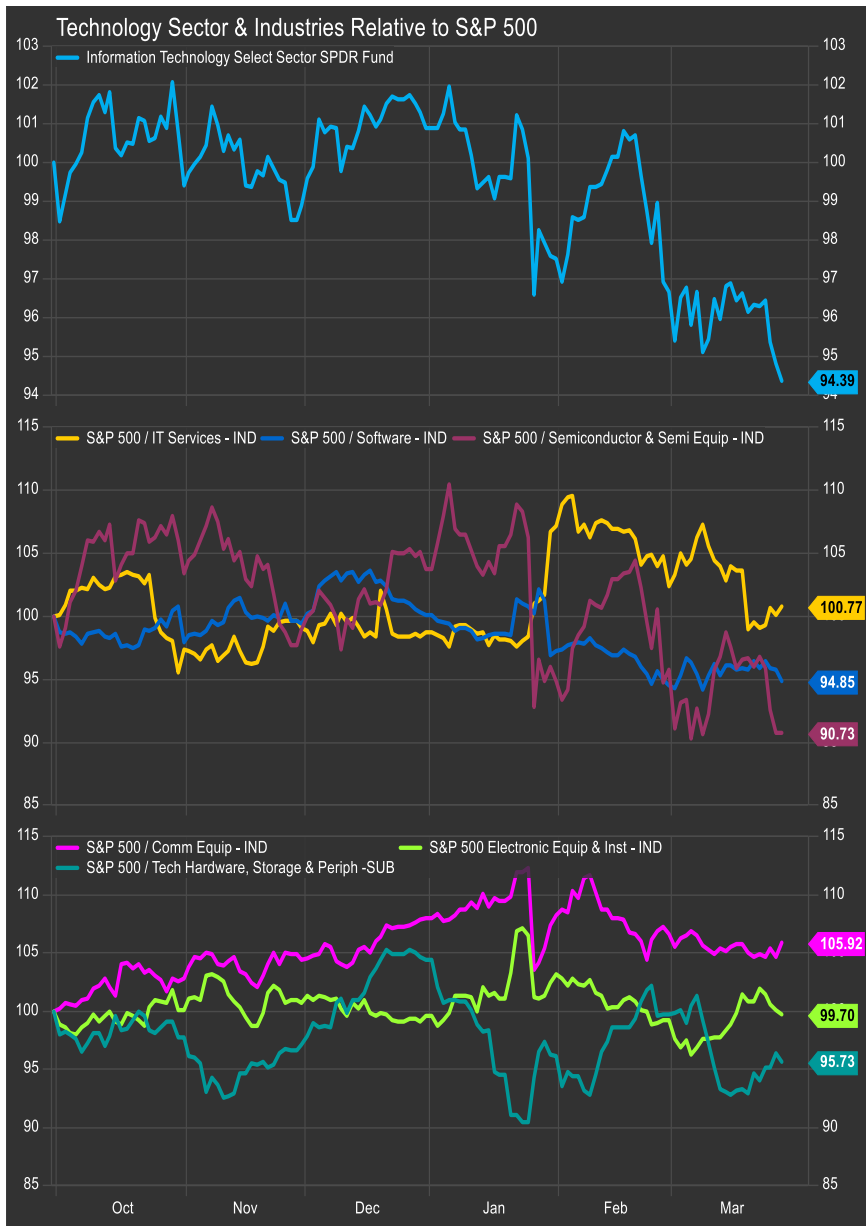
Information Technology Industries (chart, left): Correction has hit every industry within the sector over the past 2-months with Semiconductors continuing to lead the way lower

Comm Equipment stocks have been relative winners while Hardware and Components stocks have grinded sideways vs. the S&P over the past 6-months

Information Technology Sector Internals (chart, right): Market internals are washed out, but all we've had is a dead-cat bounce right into a fresh low.

3/30/2025

Top 10/Bottom 10 Stock Level Performers: Information Technology Sector

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
ENPH	Enphase Energy, Inc.	Downtrend	8,166.8	0.71	-30.2	0.0	13.7	
VRSN	VeriSign, Inc.	Bullish Reversal	23,737.0	1.15	28.4	0.0	11.6	
AMD	Advanced Micro Devices, Inc.	Support	167,265.7	0.83	-26.6	0.0	9.5	
CDNS	Cadence Design Systems, Inc.	Retracement	70,360.8	1.49	-8.8	0.0	8.6	
PLTR	Palantir Technologies Inc. Class A	Uptrend	193,072.4	6.04	112.3	0.0	7.3	NT OVERSOLD
JNPR	Juniper Networks, Inc.	Consolidation	12,034.8	0.69	-1.6	1.6	6.6	
APH	Amphenol Corporation Class A	Consolidation	80,692.6	1.13	4.6	0.7	6.4	
ROP	Roper Technologies, Inc.	Bullish Reversal	62,566.9	1.16	8.3	0.3	5.8	
GDDY	GoDaddy, Inc. Class A	Uptrend	25,285.7	1.06	14.1	0.0	5.8	NT OVERSOLD
AKAM	Akamai Technologies, Inc.	Downtrend	12,038.5	0.51	-17.3	0.0	5.4	NT OVERSOLD

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
TER	Teradyne, Inc.	Support	13,387.1	0.89	-32.0	0.4	-18.5	NT OVERSOLD
HPE	Hewlett Packard Enterprise Co.	Downtrend	20,741.4	0.33	-18.0	2.2	-13.5	NT OVERSOLD
EPAM	EPAM Systems, Inc.	Downtrend	9,610.1	0.62	-22.6	0.0	-11.9	NT OVERSOLD
SMCI	Super Micro Computer, Inc.	Consolidation	20,332.7	0.41	-18.4		-11.2	NT OVERSOLD
MCHP	Microchip Technology Incorporated	Downtrend	26,191.8	1.57	-29.1	2.5	-11.1	
WDC	Western Digital Corporation	Downtrend	14,128.6	0.32	-16.6	0.1	-10.8	NT OVERSOLD
ANET	Arista Networks, Inc.	Retracement	98,291.9	1.21	-14.8	0.0	-10.1	NT OVERSOLD
IT	Gartner, Inc.	Support	32,129.2	1.33	-13.6	0.0	-9.9	NT OVERSOLD
STX	Seagate Technology Holdings PLC	Consolidation	17,978.2	0.38	-9.9	2.2	-9.8	NT OVERSOLD
ORCL	Oracle Corporation	Retracement	395,032.4	0.87	-8.4	0.8	-9.0	NT OVERSOLD

Names with some of our lowest momentum scores led in March as the Tech Sector moved lower in both absolute and relative terms

VRSN and ROP are showing signs of bullish reversal while PLTR and GDDY are being accumulated

On the downside the weak are getting weaker as SMCI's bounce was short lived and low Mo. Names got hammered

Metrics:

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

Valuation Multiple Relative to Index

Premium (or discount) to benchmark valueation

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

Economic & Policy Drivers: Information Technology Sector

1. Trade Policy & Tariff Pressures

Trump administration's tariff escalation remains the top macro overhang. The sector is heavily exposed, with:

Reports of **pending tariffs on chips, data center hardware, and AI components**.

FT highlighted **NVDA faces up to $17B in annual revenue risk** if China enforces energy efficiency rules for advanced chips.

QCOM filed antitrust complaints against ARM, citing monopolistic behavior, as regulatory scrutiny grows across global tech supply chains.

Tariff-driven **cost increases and retaliatory risk** in China flagged by software and semiconductor companies in recent commentary.

2. AI, Cloud, & Data Center Investment Trends

AI remains a long-term growth driver, but **recent cracks in the AI infrastructure narrative emerged**:

TD Cowen channel checks flagged data center equipment slowdowns, affecting companies like VRT (-10.9%).

MSFT and GOOG reportedly cutting back on new AI data center projects due to oversupply and higher power costs.

Cloudflare (NET +2.9%) upgraded on AI-as-a-service momentum, while **Coherent (COHR +12.6%) cited recovery in optical telecom**.

OpenAI's revenue forecast triple-digit growth underpinned ongoing enthusiasm, but pricing dynamics remain under scrutiny.

3. Regulatory Risks – Privacy, Antitrust & National Security

The sector faces growing scrutiny from US and international regulators:

DOJ and EU regulators focused on **chip design monopolies (ARM-QCOM case)** and **data handling practices**.

FCC announced **stricter disclosure rules on political ads**, with potential implications for ad tech platforms and social media targeting.

Security concerns highlighted by export controls, China's blacklisting of US cloud firms, and Biden admin's tighter restrictions on chip exports.

Worries around user data collection have re-emerged, particularly after **Muddy Waters' short report on AppLovin (APP -20.1%)** alleging violations of platform rules.

4. Macro Data & Fed Policy Impacts

February core PCE (+0.3% m/m; +2.7% y/y) reinforced the "higher-for-longer" rate narrative, pressuring valuations in high-growth tech.

Fed officials, including Kashkari and Musalem, flagged **inflation upside risks from tariffs**, supporting market expectations for a more cautious Fed.

Equity rebalancing into month/quarter-end created short-term buying tailwinds, particularly after a ~10% sector drawdown from February highs.

5. Earnings & Market Positioning

Mixed Q4/FQ3 earnings highlighted **valuation sensitivity and margin concerns**:

SNX (-14.3%) missed on Hyve integration and component delays.

CTAS (+5.8%) and CNXC (+42.4%) outperformed, citing strong FCF, operational discipline, and AI positioning.

AMD (-3.2%) downgraded on limited AI traction and growing INTC competition.

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.