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Monthly Insights: June 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)

230.91
224.30
212.34

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

97.46

6.21
5.69
-0.51

61.75

The Information Technology Sector confirmed its bullish reversal in May. Price moved above the neckline of the corrective price action at the $220 level (chart left) and is now consolidating bullish overbought conditions above its 200-day moving average.

The RSI study (chart, bottom panel) registered its highest level since July which is a sign of renewed buying enthusiasm. Semiconductor stocks had a good month with AI heavyweights NVDA and AVGO expecting strong quarters and other flagging semiconductor names (AMD, LRCX, MCHP) beginning to be accumulated on improving sentiment around global trade.

Softer economic data (as long as it's not contractionary) likely plays into the Tech sector's hands as the Tech/AI incubator space benefits from low rates and a dovish Fed. On the other hand, anti-trust regulation has come up as a potential leverage point in global trade negotiations. For now, the momentum on trade is constructive and sentiment is improving, but regulation and potential inflation risks are concerns. We would likely want to reduce our exposure if global trade dynamics begin to reflect inflation, but for now, we see tailwinds to US equities on improving sentiment.

We start June with an OVERWEIGHT allocation to the Information Technology Sector of 6.73% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

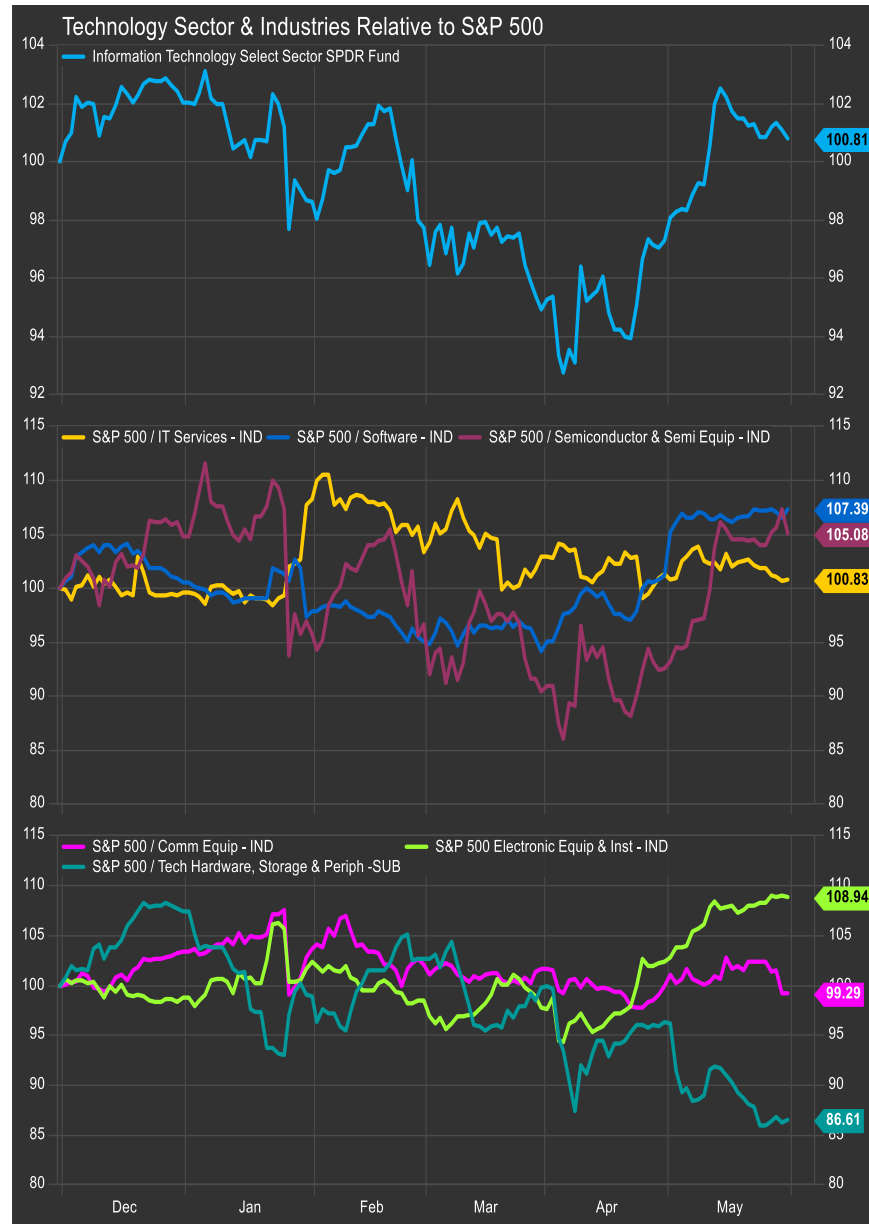6/1/2025

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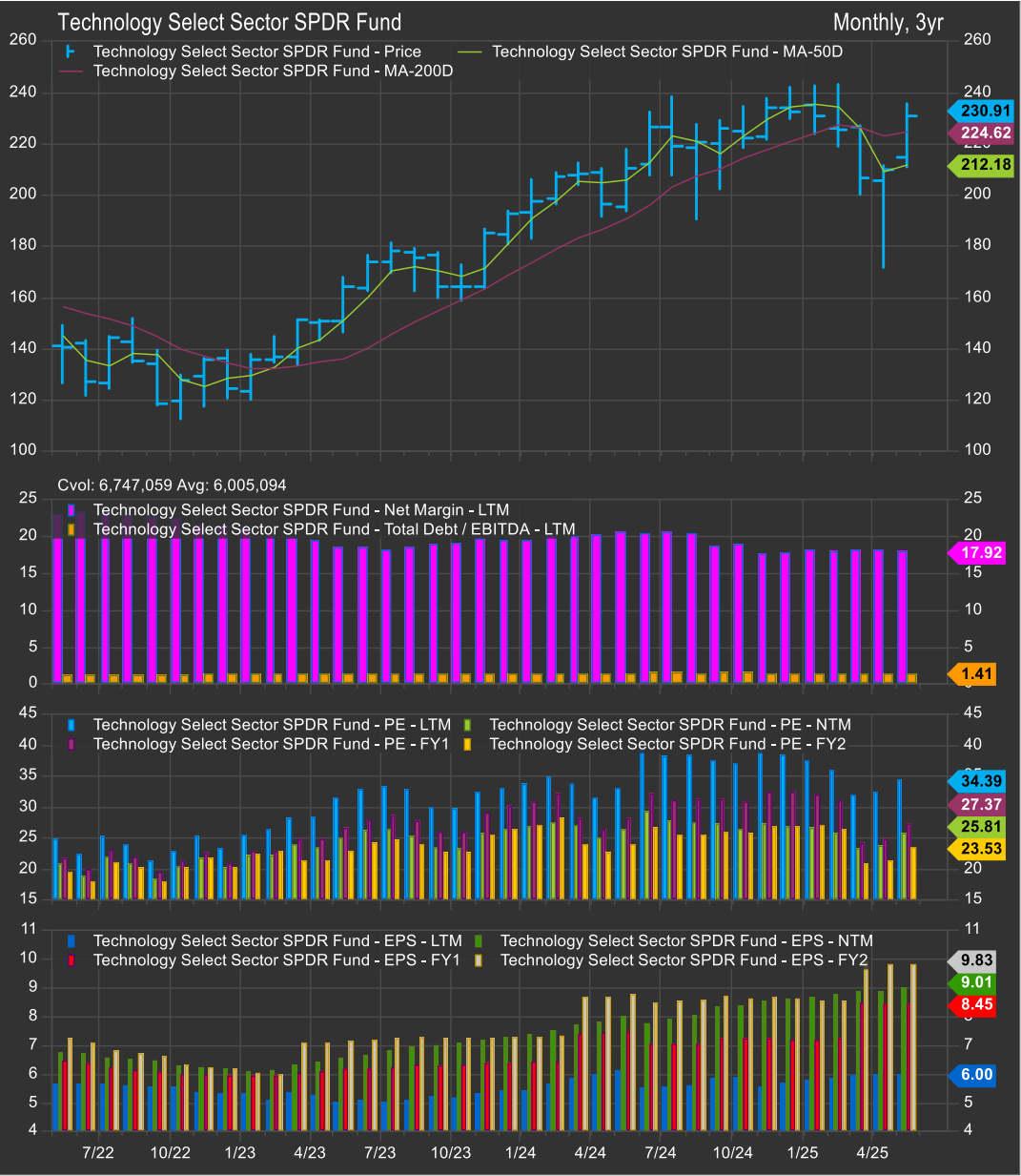
The chart (left) shows S&P 500 Information Technology Sector Margins, Debt/EBITDA, Valuation and Earnings

Margins contracted in the back half of 2024 (chart, panel 2) and that has held steady into 2025

While valuation multiples have begun to contract (panel 3). Earnings season revealed upbeat forward guidance where it was available raising FY2 estimated EPS and compressing forward valuations. This is the positive dynamic that sets the sector up to outperform as long as the business cycle doesn't hit further snags from global trade tensions or other exogenous events

Industry/Sub-Industry Performance and Breadth: Information Technology Sector

Technology Sector & Industries Relative to S&P 500

— Information Technology Select Sector SPDR Fund

100.81

— S&P 500 / IT Services - IND — S&P 500 / Software - IND — S&P 500 / Semiconductor & Semi Equip - IND

107.39
105.08
100.83

— S&P 500 / Comm Equip - IND — S&P 500 Electronic Equip & Inst - IND
— S&P 500 / Tech Hardware, Storage & Periph -SUB

108.94
99.29
86.61

Market Internals — Daily, 6M

‖ Technology Select Sector SPDR Fund - Price — Technology Select Sector SPDR Fund - MA-50D
— Technology Select Sector SPDR Fund - MA-200D

230.91
224.62
212.18

— % of Stocks Above 200-day Moving Average — % of Stocks Above 50-day Moving Average

85.92
47.89

▮ Advancers ▮ Decliners

26.76
-71.83

Information Technology Industries (chart, left):The Semiconductor Industry is staging a bullish reversal on the back of NVDA and AVGO, but there have been big improvements in several other stocks (AMD, LRCX, MCHP) as well

AAPL took the Tech Hardware Industry lower while IT services stocks continued to retrace YTD gains

Information Technology Sector Internals (chart, right): We got the breadth confirmation signal we were looking for with >90% of stocks above their 200-day moving average...we expect the 200-day moving average level of $214 to be a point of accumulation for the XLK

6/1/2025

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	3y BETA Rel to Loc Idx	1-Month Excess Return vs. BMK
STX	Seagate Technology Holdings PLC	Bullish Reversal	25,071.4	0.50	20.0	1.6	1.52	38.3
WDC	Western Digital Corporation	Consolidation	18,333.6	0.39	-1.5	0.1	1.98	22.9
NVDA	NVIDIA Corporation	Bullish Reversal	3,396,236.1	1.17	8.0	0.0	2.23	21.2
MCHP	Microchip Technology Incorporated	Consolidation	31,344.5	1.50	-13.0	2.1	1.49	21.1
AVGO	Broadcom Inc.	Uptrend	1,137,730.5	1.33	41.7	0.7	1.04	20.1
MU	Micron Technology, Inc.	Consolidation	108,180.9	0.39	-4.7	0.3	1.59	19.5
INTU	Intuit Inc.	Bullish Reversal	211,224.2	1.36	19.3	0.3	1.07	15.1
DELL	Dell Technologies, Inc. Class C	Consolidation	39,128.2	0.48	-8.4	1.2	0.97	14.7
LRCX	Lam Research Corporation	Bullish Reversal	107,650.6	0.84	5.8	0.7	1.87	12.2
AMD	Advanced Micro Devices, Inc.	Bullish Reversal	183,267.3	0.97	-10.4	0.0	1.95	11.2
MSFT	Microsoft Corporation	Bullish Reversal	3,409,159.2	1.23	8.7	0.5	0.91	10.2

Symbol	Name	CHART_PATTERN	MktVal Co	Valuation Multiple Rel to Index	Momentum Score	Div Yld Multiple rel to Index	3y BETA Rel to Loc Idx	1-Month Excess Return vs. BMK
ENPH	Enphase Energy, Inc.	Downtrend	5,148.6	0.57	-45.7	0.0	1.36	-24.2
FICO	Fair Isaac Corporation	Support	41,015.7	2.01	-14.1	0.0	1.50	-20.6
AKAM	Akamai Technologies, Inc.	Support	11,124.8	0.47	-15.9	0.0	0.80	-12.5
CDNS	Cadence Design Systems, Inc.	Bullish Reversal	77,680.4	1.60	-2.7	0.0	0.93	-12.3
AAPL	Apple Inc.	Support	2,986,418.4	1.06	-13.5	0.3	1.20	-11.7
GDDY	GoDaddy, Inc. Class A	Consolidation	25,747.6	1.11	-0.4	0.0	1.21	-10.6
MSI	Motorola Solutions, Inc.	Retracement	69,842.6	1.11	-7.2	0.6	0.98	-10.4
VRSN	VeriSign, Inc.	Bullish Reversal	25,229.1	1.20	30.0	0.6	0.54	-9.7
HPQ	HP Inc.	Downtrend	23,520.4	0.30	-24.0	3.1	1.41	-8.7
FTNT	Fortinet, Inc.	Bullish Reversal	78,103.1	1.59	12.5	0.0	0.88	-8.5
SNPS	Synopsys, Inc.	Retracement	70,596.7	1.14	-14.8	0.0	1.05	-7.7

Hardware Peripheral Manufacturers STX and WDC led the sector in May as Hardware stocks rebounded on signs of resilient demand for AI infrastructure despite concerns entering the year on worsening competitive dynamics

NVDA, AVGO and MSFT represent strong flows return to Mega Cap. leadership from the previous bull regime. AAPL is notably on the lows list and is near intermediate-term support which triggers a downgrade in our stock level process

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

Global Trade & Supply Chain Developments

The **Bureau of Industry and Security (BIS)** issued new restrictions on the export of Electronic Design Automation (EDA) software and other advanced technologies to China, prompting companies like **Synopsys (SNPS)** to suspend FY guidance while assessing the business impact.

Concerns about China-related revenue exposure and inventory adjustments rippled through the semiconductor value chain, pressuring companies dependent on international sales and raising fears of demand pullbacks or regulatory compliance costs.

Nonetheless, supply chains showed signs of stabilization. Firms reported **better component availability** and **lower logistics costs** compared to prior years, with shipping delays largely normalized outside of geopolitically sensitive regions.

Tariffs & Regulatory Risk

The **U.S. Court of International Trade initially struck down tariffs imposed under the International Emergency Economic Powers Act (IEEPA)**, including on non-USMCA compliant goods. The ruling briefly supported risk assets but was quickly stayed by a federal appeals court, allowing tariffs to remain in effect pending further review.

The Biden administration signaled it would shift to **alternative authorities (e.g., Section 301)** to preserve the legal basis for tariffs, especially on China-related imports. These developments injected volatility into trade-exposed tech names and clouded the outlook for component pricing.

Tech firms also monitored language in **Section 899 of the reconciliation bill**, which may allow for retaliatory tax increases on firms operating in jurisdictions with "discriminatory digital services taxes."

Antitrust, Privacy & Content Regulation

While there were no new federal actions in May, regulatory overhangs remained a source of caution:

The **FTC and DOJ** continued to explore antitrust concerns involving major platform players, with ongoing investigations into bundling, app store practices, and AI-related vertical integration.

Meanwhile, the **EU signaled intent to deepen cooperation with the U.S.** on regulating sectors like semiconductors and digital infrastructure. However, the bloc may also move forward with its own tech taxes—reports suggested Germany was evaluating a **10% levy on large U.S. internet firms**, raising risks of fragmented compliance requirements.

Privacy debates resurfaced amid bipartisan skepticism of AI model training practices and calls for tighter restrictions on data scraping.

AI Trends & Earnings Momentum

Nvidia (NVDA) posted another blowout quarter, beating expectations despite a ~$2.5B revenue hit from China restrictions. Its **Q2 guidance of ~$45B**, while modestly below prior Street estimates, was better than feared and fueled by demand for AI reasoning, sovereign AI infrastructure, and Blackwell-based compute systems. NVDA said **Blackwell now represents ~70% of Data Center compute revenue**, the fastest GPU ramp in its history.

Broader AI enthusiasm lifted **cloud infrastructure, semiconductor equipment, and enterprise software providers**. Companies like **C3.ai (AI)**, **Veeva (VEEV)**, and **Agilent (A)** highlighted growing demand for AI-enabled workflows and analytics solutions.

Still, some names with legacy business lines or lower perceived AI exposure, such as **HP (HPQ)** and **Salesforce (CRM)**, saw **muted investor response** to earnings, especially when forward guidance was cautious or when margin pressure was cited.

Fed Policy & Interest Rates

Technology stocks benefited from a **slightly dovish tone in May FOMC minutes**, which reiterated the Fed's patient stance amid ongoing inflation concerns:

The minutes acknowledged "difficult tradeoffs" if inflation persists while the labor market softens, but emphasized that **the Fed remains well-positioned to wait for clarity**.

Softer consumer data (e.g., pending home sales and consumer spending) pushed long-term Treasury yields down late in the month, helping valuations for high-growth tech.

Rate-sensitive software and fintech names were supported by lower discount rate expectations, though companies with real revenue exposure to financial services or housing were more cautious in their outlook.

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.