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Monthly Insights: July Outlook
Information Technology Sector

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Sector Price Action & Performance Review: Information Technology Sector



The IT sector remained a pillar of market strength, driven by AI tailwinds, margin durability, and investor risk appetite for growth. However, macro and policy uncertainty—particularly around China and tariffs—introduced new volatility.

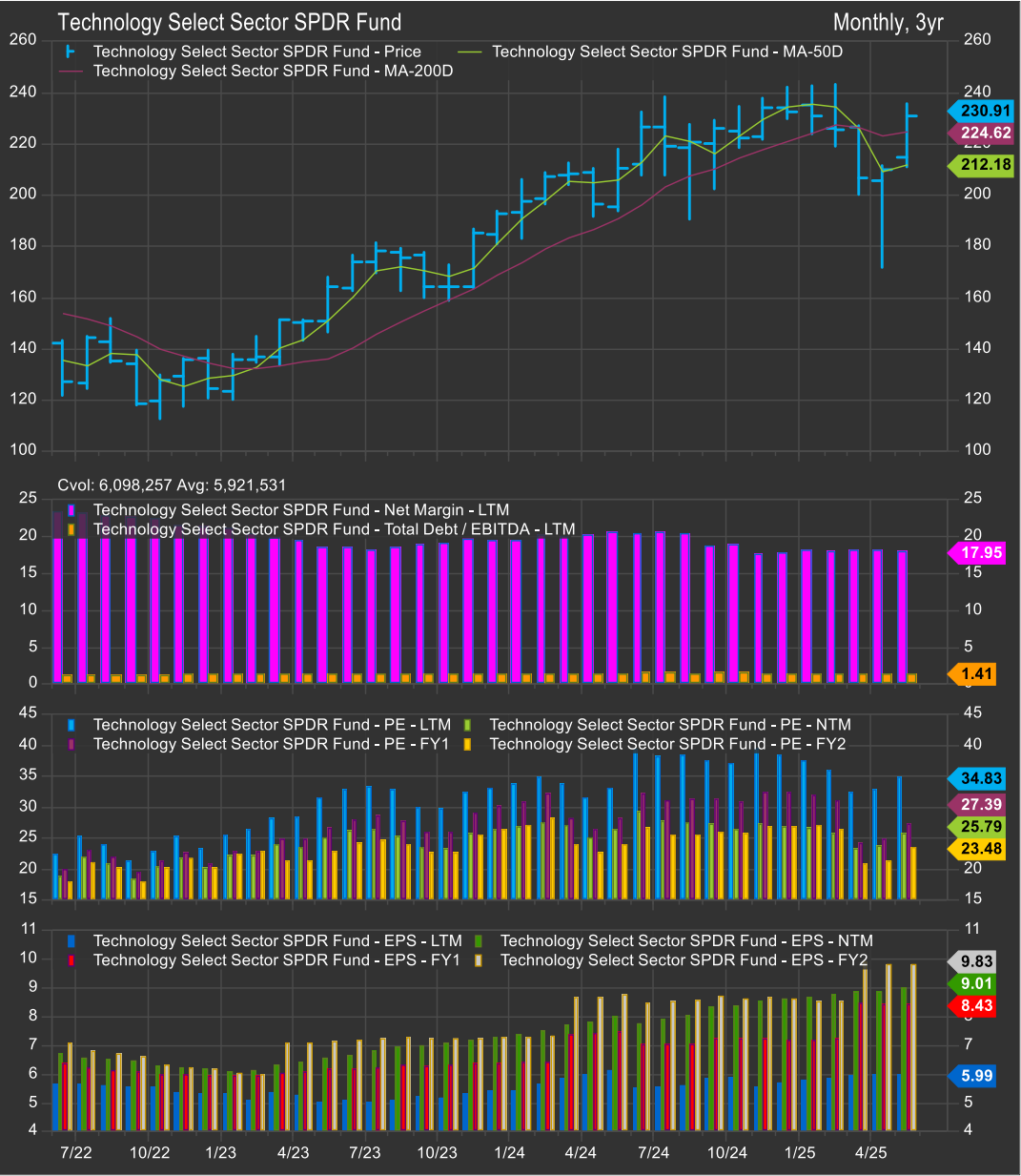
Relative to the S and P 500 the information technology sector established a longer term bullish reversal. Mac D study has registered a tactical buy signal from overbought conditions, which is historically a bullish development. The rsi study, similarly, has sustained overbought conditions, which is a sign of a strong trend in a bare to bull transition. This is a very favorable technical setup.

The stock level, we note some concern for Apple Corp. The stock has traded down to intermediate term support and is sell rated in our technical discipline. However, that weakness has been offset by broad improvement in semiconductors, electronic equipment stocks and communication equipment stocks. We're all. Seeing hardware outside of Apple perform well with Seagate and Western Digital rallying strongly in the near term.

The setup remains favorable heading into July. The next leg higher requires earnings confirmation and clearer trade signals. Leaders in AI enablement, cybersecurity, and software automation remain best positioned, though valuation discipline will be increasingly important.

We start July with an **OVERWEIGHT** allocation to the Information Technology Sector of **4.61%** in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

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



Information Technology Industries (chart, left): Semiconductors and Electronic Equipment industries led the technology sector higher in June. 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 50-day Moving average. The next important threshold is for the percent of stocks above their 200 day moving average to move above February highs and reconfirm the bull trend from a longer-term breadth perspective.

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
MU	Micron Technology, Inc.	Bullish Reversal	139,622.1	0.45	30.0	0.3	1.68	24.8
JBL	Jabil Inc.	Uptrend	23,333.7	0.83	40.9	0.1	1.09	24.6
ORCL	Oracle Corporation	Bullish Reversal	590,529.1	1.23	30.6	0.6	1.56	23.4
AMD	Advanced Micro Devices, Inc.	Bullish Reversal	233,174.1	1.20	23.1	0.0	1.99	22.5
ON	ON Semiconductor Corporation	Consolidation	22,118.7	0.79	9.9	0.0	1.77	18.6
MCHP	Microchip Technology Incorporated	Bullish Reversal	38,022.3	1.70	26.5	1.7	1.62	17.7
STX	Seagate Technology Holdings PLC	Bullish Reversal	30,016.0	0.58	45.1	1.3	1.65	16.2
WDC	Western Digital Corporation	Bullish Reversal	22,080.5	0.46	34.2	0.1	2.03	16.2
NVDA	NVIDIA Corporation	Uptrend	3,849,100.0	1.30	22.3	0.0	2.27	12.1
LRCX	Lam Research Corporation	Bullish Reversal	124,330.3	0.98	20.7	0.6	1.89	11.0

Hardware and hardware related stocks were clear winners over software in June.

It was a big month for the average large cap semiconductor stock, as breadth and proved within the socks index and other semiconductor benchmarks.

Tech hardware storage and peripheral names were also present among the leadership in June. Seagate and western digital were both strong performers.

laggard performers were comprised of Hardware stocks, (AAPL was a notable laggard) Software and IT Services names though AI related software continued to show strength.

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
HPQ	HP Inc.	Downtrend	23,265.8	0.30	-20.0	3.1	1.36	-12.8
IT	Gartner, Inc.	Retracement	30,999.2	1.25	-15.3	0.0	1.13	-12.4
ACN	Accenture Plc Class A	Downtrend	201,014.3	0.87	-14.2	1.3	1.16	-11.5
ADBE	Adobe Inc.	Downtrend	163,669.1	0.70	-12.4	0.0	1.68	-11.4
CTSH	Cognizant Technology Solutions Corporation	Consolidation	38,321.3	0.60	-7.6	1.1	1.03	-8.3
CDW	CDW Corporation	Consolidation	23,362.3	0.72	-3.3	0.9	1.02	-8.2
FSLR	First Solar, Inc.	Consolidation	16,316.2	0.33	-2.2	0.0	1.69	-7.7
FTNT	Fortinet, Inc.	Bullish Reversal	78,922.1	1.59	-3.4	0.0	0.83	-6.3
WDAY	Workday, Inc. Class A	Consolidation	51,271.9	1.02	-10.5	0.0	0.99	-6.0
ROP	Roper Technologies, Inc.	Consolidation	60,586.0	1.09	-8.1	0.3	0.98	-5.9

Metrics:

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

Valuation Multiple Relative to Index

Premium (or discount) to benchmark valuation

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

AI Remains the Primary Growth Engine

NVIDIA (NVDA) and semiconductor peers extended gains as investor appetite remained focused on AI infrastructure. TSMC’s CEO reiterated that **AI demand “continues to outpace supply”**, reinforcing the medium-term capital investment thesis for hyperscalers and data center providers.

However, early signs of **utilization plateau** in enterprise software began to emerge. **Asana (ASAN)**, for example, posted a better-than-expected Q1 EPS but lowered revenue guidance, citing delayed deals—even as it highlighted strength in its **AI Studio**.

Investor focus broadened toward monetization: the Street responded positively to commentary from **CrowdStrike (CRWD)** and **MongoDB (MDB)** regarding **AI-driven product adoption and platform integration**, although CRWD saw pressure from light revenue guidance and elevated expectations.

Chinese Competition and Trade War Spillovers

The **U.S.-China tech cold war** escalated further, with U.S. tariffs on Chinese goods doubling and China reportedly slow-rolling **rare-earth export licenses**. Both moves raised investor awareness of **supply chain risk** and input cost volatility for chipmakers and hardware companies.

Apple (AAPL) and **Alibaba’s AI product launches in China were delayed**, with reports citing regulatory and trade friction as a driver. This signaled that even the largest players are not immune to policy overhangs in a more fragmented global tech market.

The White House confirmed that **Trump and Xi may speak** in early July, but public statements—including Trump calling Xi “hard to make a deal with”—suggest any relief rally may be short-lived or overly optimistic.

Earnings & Profitability Trends Remain Supportive

Guidewire (GWRE) posted a clean beat-and-raise with strength in cloud deals and subscription revenues. Analysts cited **Tier 1 insurer traction** and a healthy pipeline.

HealthEquity (HQY), while technically a healthtech company, echoed the broader trend with strong margins and commentary around fraud cost improvement.

MongoDB (MDB) raised its FY guide, beat Q1 expectations, and announced an increased buyback—signaling growing balance sheet confidence even amid uncertain macro conditions.

Investor reaction has been **selective**, however. High expectations and rich valuations led to **sell-the-news responses** in names like CRWD and ASAN, reflecting how **elevated positioning** can amplify downside volatility even amid fundamentally positive stories.

Policy Trends & Investor Sentiment

The broader policy backdrop in June continued to fuel risk rotation into tech. As the market

priced in **~60 bp of Fed rate cuts** by year-end and yields fell across the curve, investors favored **duration-sensitive growth stocks**.

At the same time, **Fed speakers raised flags about stagflation**, with inflation sticky in services (including software), but wages softening. The Fed’s Beige Book said economic activity had “declined slightly,” creating a supportive environment for non-cyclicals like cloud and software.

Meanwhile, **political headlines** including the Trump tax bill, reconciliation noise, and tariff disputes kept investor sentiment split: defensive in cyclicals, opportunistic in high-quality tech.

Earnings Season Will Test AI Durability

July earnings will provide crucial evidence about the **sustainability of AI monetization**. Investors will be watching for:

Backlog conversion rates in chip and cloud names.

Incremental adoption of AI modules in enterprise software.

Commentary on utilization and cloud consumption growth rates.

Names like **Broadcom (AVGO)**—reporting in early July—are particularly in focus, given expectations around AI revenue disclosures.

China Remains a Wildcard

Any **Trump-Xi call** that signals de-escalation on trade would be a catalyst, but the base case remains elevated tension. Tech companies with **global hardware exposure**, such as semis, sensors, and supply-chain names, face the most headline risk.

Fed Policy & Risk Appetite Remain Supportive

If July’s employment data remains soft and inflation subdued, expectations for a **September rate cut** will grow. This backdrop favors high-ROIC tech names with strong balance sheets and **long-term revenue visibility**.

Valuation & Positioning Need Watching

As the rally matures, **selective rotation within tech** is likely. Names with **strong profitability, improving cash flow, and realistic guidance** (e.g., MDB, AVGO, GWRE) are best positioned. Conversely, richly valued names with execution risk or slowing growth may face downside if expectations are not met.

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) * 0.2

Plus

3-Month Excess Total Return (vs. S&P 500) * 0.5

Plus

6-Month Excess Total Return (vs. S&P 500) * 0.3

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.