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Monthly Insights: September 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)

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

Tech stocks have pulled back in August as some concerns over a "bubble" in AI allocation are surfacing. Competition from Chinese entrants, questions about AI monetization efficacy and rich valuations are the potential headwinds to the sector. These potential concerns have been balanced out by strong earnings trends, increased capital spending on AI implementation and infrastructure and robust forward guidance and demand indications.

From a technical perspective, momentum studies have moved from overbought to neutral positions while the sector is still the best performer off the early April lows for equities. Consistent demand has been buttressed by benign macro conditions in 2025 as interest rates and commodities prices have remained stable with a slight downward bias. The Fed has come out with an inclination to support employment into year end with expectations of 80-90 bps of rate cuts

Tariffs continue to lurk as a potential issue with the latest developments suggesting digital taxes could be levied as a stick against trading partners and there is expectation that China would leverage similar techniques if tensions escalated. Export controls are in the headlines as well with NVDA's recent quarter highlighting their lack of sales to China amidst otherwise robust demand.

Despite concerns over valuation and competition, the AI trade remains the motive force behind the current bull market. We've been encouraged by the number of different industries within the sector that are catching tailwinds from AI related demand. and we think there will likely be a transition playing out from concept to implementation as businesses continue to adapt. However, in the near-term we note a loss of momentum both in the technicals and in the narrative. We are covering our long in the sector for September on a tactical basis and will look to enter again at a lower level

We start September with a tactical UNDERWEIGHT allocation to the Information Technology Sector of -1.78% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark
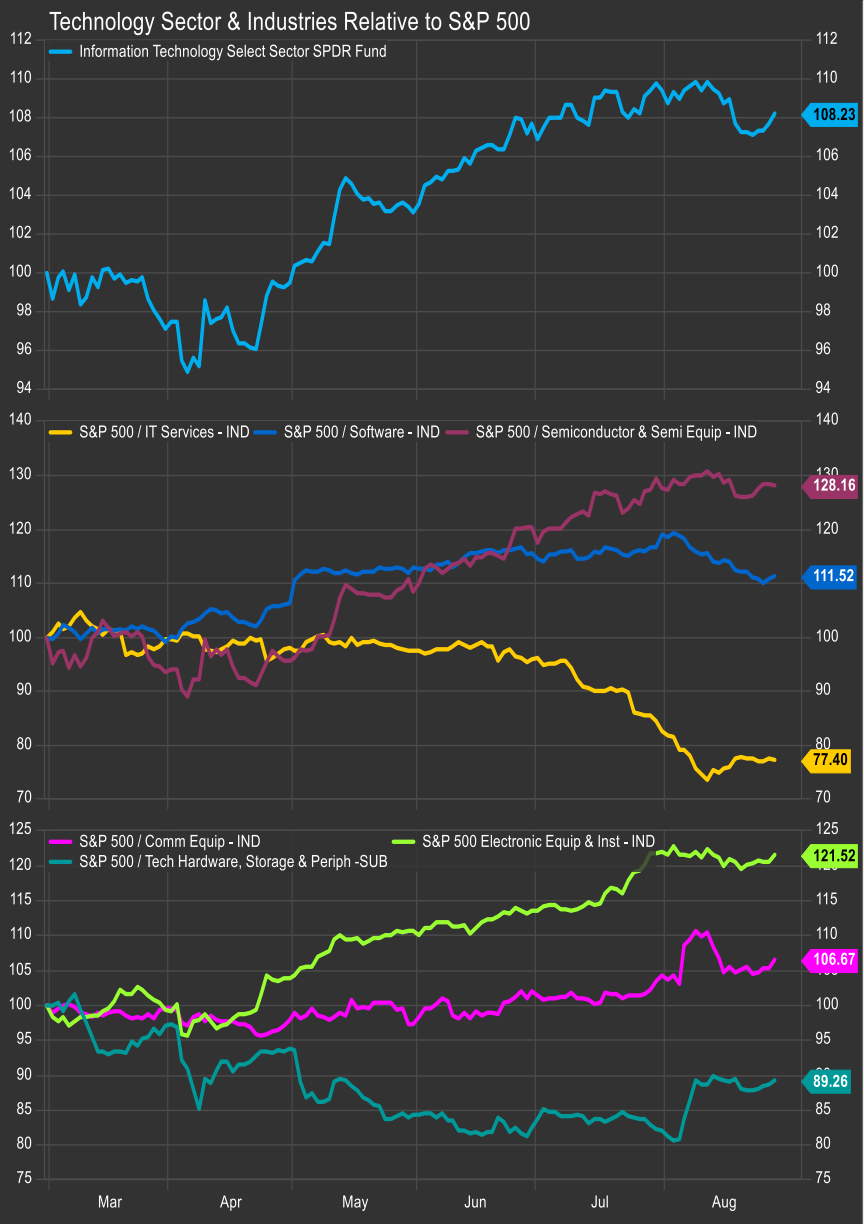
Fundamentals: Information Technology Sector
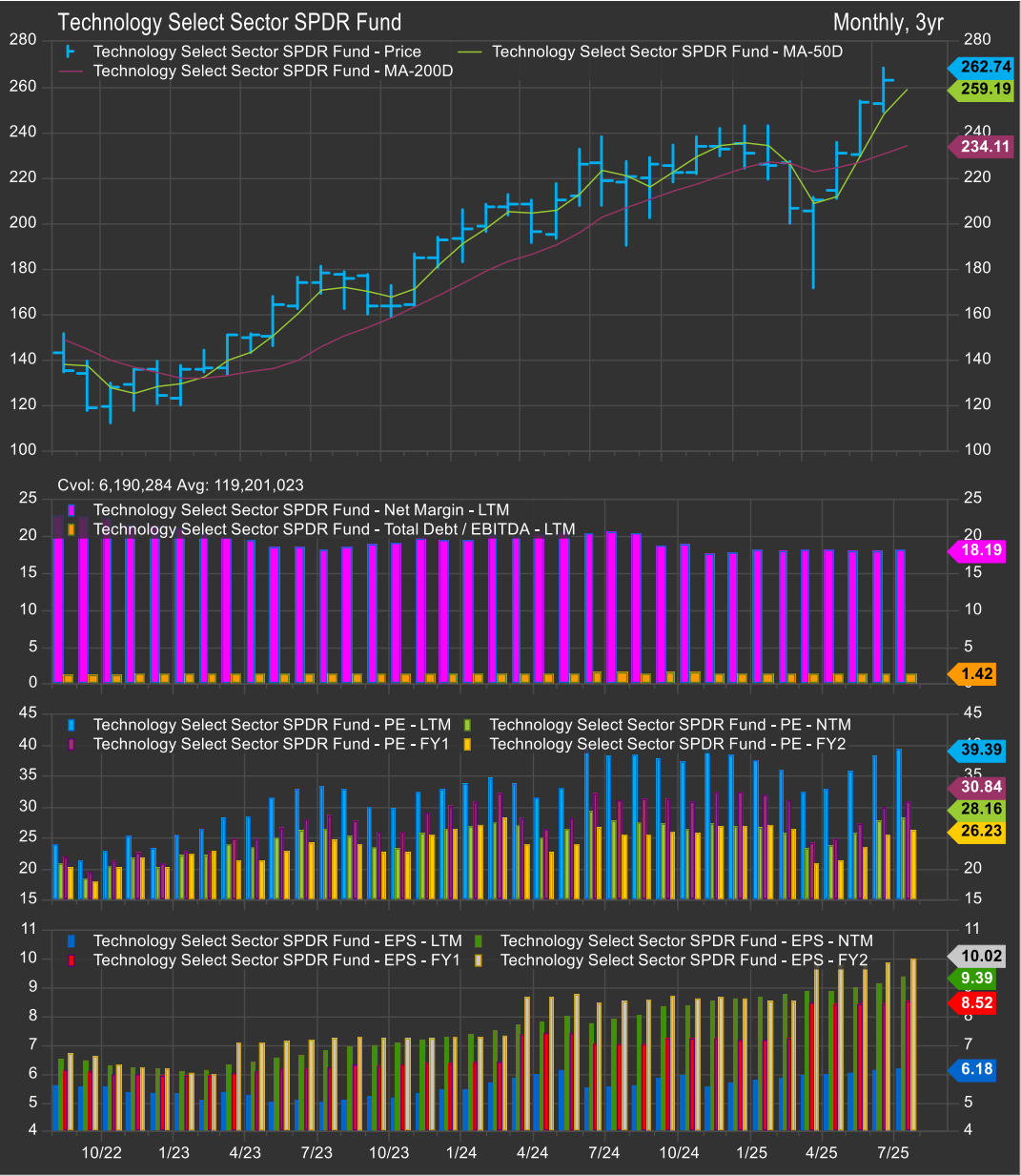
The chart (left) shows S&P 500 Information Technology Sector Margins, Debt/EBITDA, Valuation and Earnings

Margins remained firm through the recent reporting season (chart, panel 2) and that has held steady into 2025

High valuations are starting to become a concern for investors (panel 3), while out year consensus numbers are soft for FY1 despite expectation they would rebound over the longer-term

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

Technology Sector & Industries Relative to S&P 500

- Information Technology Select Sector SPDR Fund — 108.23

- S&P 500 / IT Services - IND — 77.40
- S&P 500 / Software - IND — 111.52
- S&P 500 / Semiconductor & Semi Equip - IND — 128.16

- S&P 500 / Comm Equip - IND — 106.67
- S&P 500 Electronic Equip & Inst - IND — 121.52
- S&P 500 / Tech Hardware, Storage & Periph -SUB — 89.26

Market Internals — Daily, 6M

- Technology Select Sector SPDR Fund - Price
- Technology Select Sector SPDR Fund - MA-50D — 266.54 / 259.19
- Technology Select Sector SPDR Fund - MA-200D — 234.11

- % of Stocks Above 200-day Moving Average — 61.43
- % of Stocks Above 50-day Moving Average — 54.29

- Advancers — 50.00
- Decliners — -48.57

Information Technology Industries (chart, left): Semiconductors and Software retraced gains in August while Tech Hardware traded into a bullish reversal on near-term buying in AAPL and emergent strength in WDC, STX and HPE

Comm. Equipment and Electronics stocks continue to outperform as well

Information Technology Sector Internals (chart, right): Breadth has continued to narrow despite strength across industries. MSFT, AAPL, NVDA and AVGO have done a lot of heavy lifting for the sector over the past two years while we've seen some deterioration in the "average" software stock and the "average" semiconductor stock to go along with persistent weakness in the IT services industry

8/28/2025

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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
TER	Teradyne, Inc.	Consolidation	18,610.0	1.16	24.4	0.3	1.78	28.2
GLW	Corning Inc	Bullish Reversal	57,607.6	0.99	24.3	1.1	1.34	19.9
MPWR	Monolithic Power Systems, Inc.	Bullish Reversal	41,489.8	1.81	20.6	0.5	1.39	19.6
INTC	Intel Corporation	Consolidation	108,768.5	2.01	10.4	0.1	1.72	18.5
WDC	Western Digital Corporation	Bullish Reversal	27,986.2	0.49	39.0	0.3	2.12	15.6
ANET	Arista Networks, Inc.	Bullish Reversal	167,502.5	1.73	28.5	0.0	1.10	15.0
ADI	Analog Devices, Inc.	Bullish Reversal	125,694.6	1.13	8.2	1.0	1.20	10.6
TXN	Texas Instruments Incorporated	Consolidation	186,800.4	1.31	4.3	1.8	1.14	10.3
STX	Seagate Technology Holdings PLC	Bullish Reversal	35,568.1	0.64	31.1	1.1	1.75	9.3
HPE	Hewlett Packard Enterprise Co.	Bullish Reversal	29,826.7	0.44	12.3	1.6	1.54	8.1

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
IT	Gartner, Inc.	Support	18,658.3	0.78	-49.2	0.0	1.05	-32.5
FTNT	Fortinet, Inc.	Retracement	59,868.4	1.17	-33.4	0.0	0.88	-27.0
SMCI	Super Micro Computer, Inc.	Bullish Reversal	26,713.6	0.67	-8.3	0.0	1.73	-19.4
INTU	Intuit Inc.	Retracement	184,989.3	1.14	-16.0	0.5	1.08	-17.2
DDOG	Datadog, Inc. Class A	Consolidation	42,584.5	2.61	-2.0	0.0	1.39	-13.7
AMAT	Applied Materials, Inc.	Consolidation	130,960.1	0.70	-8.9	0.7	1.65	-12.8
GDDY	GoDaddy, Inc. Class A	Support	20,472.5	0.88	-23.1	0.0	1.12	-12.5
VRSN	VeriSign, Inc.	Retracement	25,441.7	1.20	-6.9	0.6	0.39	-12.2
ON	ON Semiconductor Corporation	Consolidation	20,959.9	0.76	0.1	0.0	1.65	-11.5
CRWD	CrowdStrike Holdings, Inc. Class A	Retracement	105,334.8	4.07	-13.6	0.0	0.89	-11.3

We saw a shift away from AI hyper-scalers in August as investors bought Electronic Equipment, Hardware and Peripherals and lower end chip makers

On the downside we've noticed Software stocks continuing to deteriorate with FTNT and INTU triggering our sell discipline this month

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

August recap: macro & policy drivers

Tariffs & export controls:

Ongoing **export restrictions to China** and talk of a **15% export tax** on NVDA/AMD AI chips to China weighed on sentiment.

Reports that **China moved to restrict NVDA's H20** sales; later, **NVDA told suppliers (Amkor, Samsung; Foxconn)** to **pause H20-related production** as domestic-chip push in China accelerates.

Wider tariff net—**steel/aluminum +407 categories**, India **50%**—tightened cost/lead-time risks for hardware/networking supply chains.

AI ROI debate: An MIT-cited datapoint that **~95% of enterprises saw no measurable profit lift** from GenAI stoked a mid-month pullback in AI monetization trades, even as infrastructure demand stayed strong.

AI, supply chain & infrastructure (what moved)

Accelerators & DC spend:

NVDA: "Beat & raise" later in the month; demand for AI compute remains strong, but **Data Center was "a bit light"** and **China uncertainty persists**. Company is working on a **new China-compliant chip** beyond H20.

AMD: **Upgraded to Buy** on checks that **hyperscalers are increasing interest** in deployments.

Memory/HBM: Earlier in August, **Micron** was called out as a winner (guidance raised on **DRAM/HBM** strength and AI data-center demand).

HPC/hosting: TeraWulf (WULF) advanced new **HPC/AI hosting** capacity (Fluidstack expansion, Cayuga site ground lease), signaling persistent non-hyperscaler AI buildout.

Storage & data plumbing:

SNOW: "Up big" on **core warehouse product** strength (large Product revenue beat).

PSTG: "Up big" on **core business** and **META deal update**—evidence that AI workloads are catalyzing flash/storage upgrades.

NTAP: Hit by **US public sector softness** and **product GM miss** (cost/pricing pressure).

Optics/EMS & bottlenecks:

Fabrinet (FN) flagged **supply constraints in 200G/lane EMLs**, guiding to another **Datacom decline** near-term despite AI ramps; still cited the **"1.6T ramp"** on the horizon.

Semtech (SMTC) beat with guidance ahead; highlighted **datacenter** and high-end consumer strength.

Photronics (PLAB) beat with **Q4 guide ahead**; repurchase expanded.

Semicap & lasers:

Applied Materials (AMAT) guided **below Street** on **China normalization, delayed export licenses, lumpy leading-edge** demand; still constructive on DRAM cycle.

Coherent (COHR): DC growth **underwhelmed** and Q1 revenue guide disappointed; mgmt. cited **elevated expectations** and near-term headwinds (offset by longer-term ramps/AAPL partnership/margin actions).

PCs & endpoints:

HPQ beat; **PC share gains** a tailwind as refresh and AI-PC talk support the category.

Software/security:

MDB and **OKTA** both **beat & raised**; MDB cited **Atlas acceleration, upmarket wins, margin expansion**;

OKTA cited **US public sector strength**, product ramps.

CRWD beat/raised but **2H implied guide softer** (conservative billings cadence).

BOX beat with **AI-driven upgrades** and stronger RPO.

NCNO: beat & raised on **mortgage** and **Banker Advisor** adoption.

Networking equipment & test:

CSCO prints/guides mixed (product ahead, services light); later **downgraded** on a view that restocking fades and networking slows.

HPE upgraded to Overweight post-Juniper, with analysts seeing **enterprise hardware upside** from AI.

Keysight (KEYS): beat/guide-ahead but flagged **new tariffs adding ~$75M annual cost**, causing some to temper GM recovery expectations.

Policy, geopolitics & capital

Intel (INTC): SoftBank agreed to invest **$2B** at **$23/sh**; separate headlines around a **US government 10% stake** (and Intel's caution on int'l sales and future grant eligibility).

Cloud contracts: GOOGL reportedly won a **$10B cloud deal with META** over six years—AI infra demand spreading across platforms.

Market structure: Short-sale disclosure rules sent back for review (possible implications for hedge-fund positioning in high-beta/AI).

September outlook Fed path & multiples: A **Sept cut** (widely priced) helps long-duration Tech; watch the **dollar** and long rates for multiple support.

AI supply chain cadence:

Blackwell ramps, **HBM availability**, **optical 200G/EML** constraints, and **China-compliant SKUs** will drive shipment timing/mix.

Expect **storage/network upgrades** (PSTG/SNOW/NTAP/HPE/JNPR) to track AI cluster deployments.

Export/tariff risk: Any **tightening on China** or **tariff escalation** (metals, electronics inputs) can pinch margins and pushouts.

Enterprise budgets: Software/security demand looks **resilient** (MDB/OKTA/CRWD/BOX), but watch **US public sector** softness (NTAP) and **valuation sensitivity** into seasonally volatile Sept.

PC/edge: AI-PC narrative and enterprise refresh support HPQ and ecosystem suppliers if macro holds.

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.