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Monthly Insights: March Outlook
Information Technology Sector

Patrick Torbert, CMT
Editor & Chief Strategist

Sector Price Action & Performance Review: Information Technology Sector



Tech stocks remain in retracement despite the S&P 500 remaining near all-time highs.

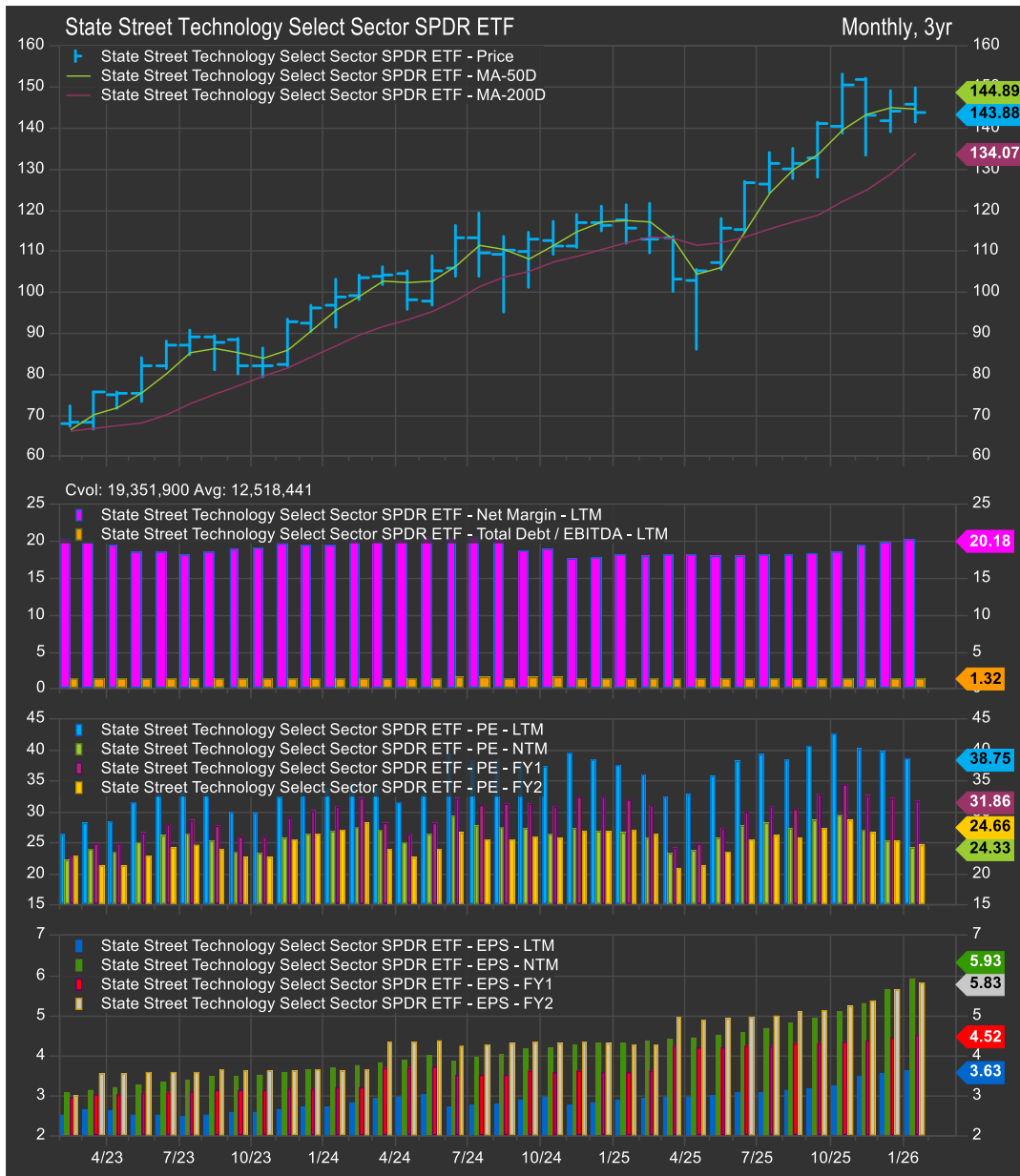
“AI-fatigue” has come to the front with Software stocks bearing the brunt of the bearish disruption narrative. Semiconductor stocks and other AI infrastructure plays remain bid, but “legacy” Tech is now in the crosshairs with MSFT joining former stalwarts like CRM, INTU and ADBE in the laggard basket.

Operating results continued to be strong for the sector, but risk appetite and enthusiasm for holding AI stocks has slipped in the near-term. Cash flow conversion and competition are current concerns that have not gone away. More recently the disruption narrative has grown to the point where it could imperil the business cycle. Investors are lending more credence to the bearish narrative amidst a lack of clear bullish catalysts in the Tech space. Further, we aren’t yet seeing the downstream efficiencies being realized by AI integration. But we are seeing some uptick in unemployment and softer GDP.

Given the big investment build-up in the AI complex and a lack of “profit-conversion”, we think the sector is vulnerable to a continued shake-out into March

We start March with an **underweight allocation to the Information Technology Sector of **-13.97%** in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

Fundamentals: Information Technology Sector



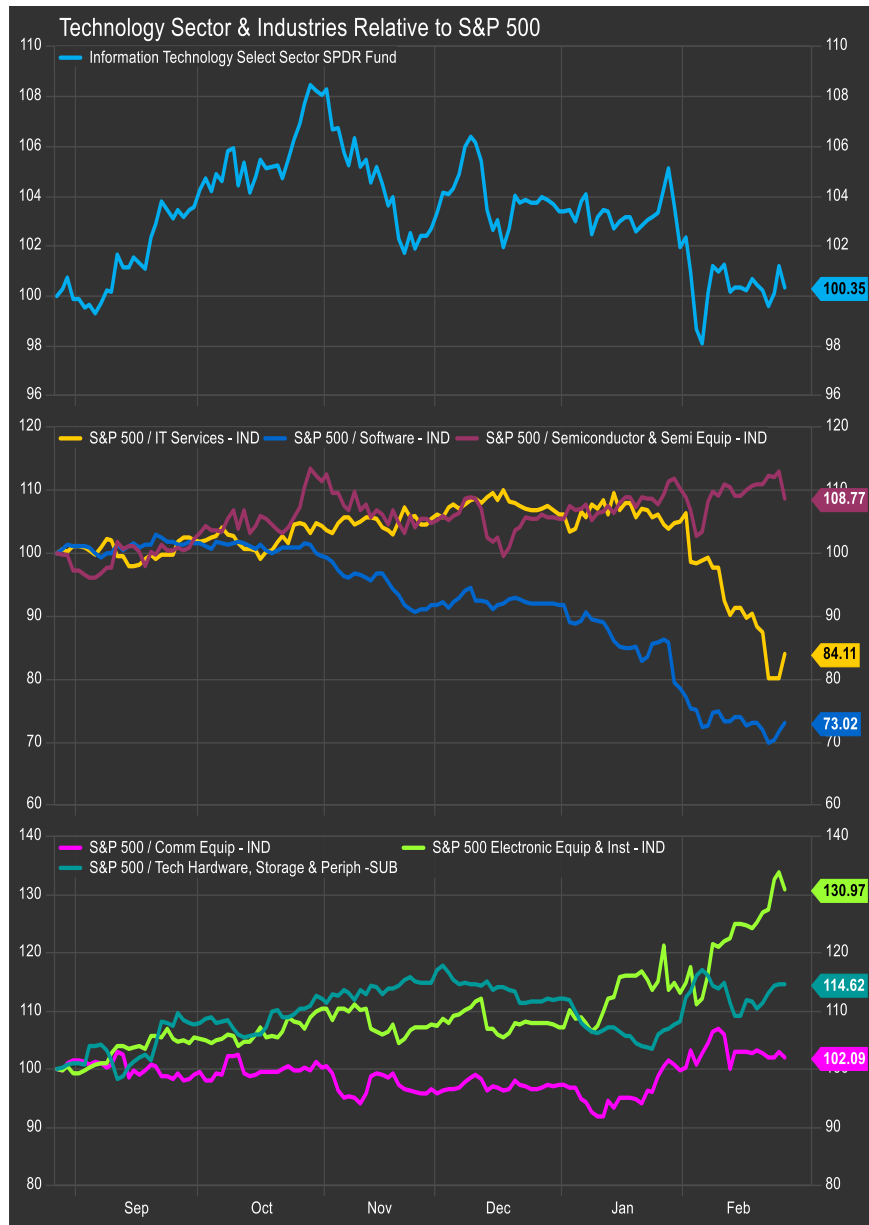
The chart (left) shows S&P 500 Information Technology Sector Margins, Debt/EBITDA, Valuation and Earnings

Margins expanded through the recent reporting season and are almost at cycle peaks from early 2024 (chart, panel 2)

Forward valuations continue to compress for the sector, but remain elevated relative to other areas of the equity market. Forward guidance remains robust, but the largest AI players are merely meeting expectations now rather than blowing them out of the water (panel 3 and 4).

Overall, the situation remains constructive despite near-term rotation away from the biggest growers, however with some economic weakness emerging the sector remains a source of funds.

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



Information Technology Industries (chart, left): Hardware rebounded somewhat while Software and IT Services stocks remain in free fall relative to the S&P 500.

Electronics stocks surged again while Semi's remain firmly bid.

The problem for the sector is MSFT, NVDA and AVGO have paused and the companies that are still hitting big gains are much smaller.

Information Technology Sector Internals (chart, right): Breadth gages continue to deteriorate in early 2026. Despite strong present earnings, the AI trade is in search of new bullish catalysts as the market begins to discount less optimistic outcomes

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
GLW	Corning Inc	Uptrend	137,640.6	2.01	93.3	0.53	1.37	71.4
CIEN	Ciena Corporation	Uptrend	49,983.3	2.43	110.8	0.00	1.17	53.6
TER	Teradyne, Inc.	Bullish Reversal	53,670.5	2.06	102.5	0.11	1.97	49.1
KEYS	Keysight Technologies Inc	Bullish Reversal	51,829.2	1.32	53.1	0.00	1.36	41.4
SNDK	Sandisk Corporation	Uptrend	93,339.9	0.38	350.4	0.00	4.80	32.9
Q	Qnity Electronics, Inc.	Bullish Reversal	25,106.3	1.53		0.15	17.23	24.2
WDC	Western Digital Corporation	Uptrend	98,643.1	1.00	100.8	0.11	2.02	22.5
AMAT	Applied Materials, Inc.	Uptrend	313,436.2	1.33	63.9	0.32	1.58	22.1
STX	Seagate Technology Holdings PLC	Uptrend	91,994.1	0.98	65.7	0.48	1.97	21.3
ADI	Analog Devices, Inc.	Bullish Reversal	176,144.1	1.23	32.5	0.80	1.15	17.5

AI Infrastructure remains the leadership theme with memory, storage and Electronics continuing to exhibit sustained upside momentum

Software and Services remain the rump of the sector with MSFT's recent miss adding to the outflows

Even mighty PLTR has seen selling and has flipped to a negative contributor in the Elev8 model framework

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
EPAM	EPAM Systems, Inc.	Downtrend	7,241.2	0.41	-34.9	0.00	1.49	-40.5
IT	Gartner, Inc.	Downtrend	10,521.0	0.45	-39.9	0.00	1.38	-36.1
INTU	Intuit Inc.	Downtrend	106,086.4	0.61	-42.0	0.75	1.12	-33.0
ACN	Accenture Plc Class A	Downtrend	117,831.2	0.53	-29.1	2.04	0.98	-32.4
WDAY	Workday, Inc. Class A	Downtrend	28,360.9	0.50	-41.8	0.00	1.18	-30.2
CTSH	Cognizant Technology Solutions Corporation	Downtrend	29,330.9	0.43	-23.9	1.37	0.89	-27.3
GDDY	GoDaddy, Inc. Class A	Downtrend	10,692.4	0.44	-38.3	0.00	1.25	-24.3
TYL	Tyler Technologies, Inc.	Downtrend	14,404.8	1.05	-32.6		0.60	-23.5
NOW	ServiceNow, Inc.	Downtrend	109,024.6	0.97	-36.4	0.00	1.12	-22.2
PLTR	Palantir Technologies Inc. Class A	Retracement	307,492.5	3.94	-21.5	0.00	1.86	-21.4

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

What drove the tape in February: AI “disruption risk” collided with a still-solid macro backdrop

February’s defining feature for Technology was the market’s **re-pricing of AI from “demand tailwind” to “business-model disruption risk”**—with software as ground zero—while macro data stayed “okay enough” to prevent a full index-level air pocket. In the February headlines you pasted, this showed up as repeated **Mag 7 sluggishness / capex-ROI scrutiny**, elevated **single-stock and basket volatility**, and a steady drumbeat of **white-collar job displacement** narrative that investors treated as both a *macro* and *valuation* issue for Tech. That narrative was amplified by the widely-circulated Citrini scenario over the Feb. 22–23 weekend, which helped trigger another sharp leg down in software and adjacent “toll booth” models, before partial stabilization later in the week as investors leaned into “collaboration > displacement” framing after Anthropic’s enterprise event.

Policy & rates: uncertainty premium mattered more than level

Tech’s February sensitivity wasn’t simply “rates up = Tech down.” Instead, the month was characterized by **policy uncertainty** (tariff authority headlines and shifting implementation channels) and a market trying to triangulate **growth vs. inflation** signals. That environment tends to elevate equity risk premia—particularly for long-duration growth—because it increases dispersion around forward margins, capex, and multiples. Your February blotter also repeatedly flagged **curve dynamics** and **USD strength** days that coincided with choppy leadership; those are typically unhelpful for the marginal buyer of higher-multiple software, even when semis are working.

Earnings: semis/memory leadership offset software de-rating, but didn’t “fix” SaaS

February earnings flow reinforced a barbell inside Tech:

Semis / memory / AI infrastructure stayed the clear relative strength pocket in your February notes (e.g., repeated “memory/semis strong” callouts and the market “waiting on NVDA”). The late-month “AI demand still insatiable” message was reinforced by NVIDIA’s blowout quarter and forward outlook (including maintained mid-70s gross margin framing), even if the broader market didn’t immediately chase the beat as a “risk-on all clear.”

Software / SaaS remained the weak link. Even when there were bounce days (short covering, partnership headlines), February’s dominant question was whether AI agents

compress pricing power and switching costs faster than incumbents can monetize new workflows. Reuters framed the early-Feb move as the market expanding AI-disruption worries from software into other sectors, and the Feb. 24 enterprise push (plugins/partners) was treated as incremental evidence that model providers may integrate with incumbents—helping stabilize, not reverse, the de-rating.

Mega-cap platform tech (Mag 7) was also pulled into the debate via **capex ROI / “asset-heavy” shift / cash burn vs. buybacks**—themes you flagged repeatedly in February headlines—creating a second overhang even as semis were printing strong demand.

Sector performance in February: intermittent rallies, but underperformance versus lower-vol/real-asset exposures

The key point for February positioning is that the market repeatedly rewarded **lower-vol and real-asset/cash-flow certainty** at the same time Tech was trying to stabilize—consistent with your broader observation that Growth/Tech underperformed versus lower-vol equities and commodities exposures.

March 2026 setup: what would change (and what likely won’t)

March’s Tech outlook is a tug-of-war between **AI demand strength (infrastructure/semis)** and **AI disruption fear (software/services monetization)**. The sector can still work tactically if (1) earnings validate sustained hyperscaler buildout and (2) the narrative continues shifting from “replacement” toward “enablement/partnership” in enterprise workflows. But February’s regime suggests rallies will remain **fragile** until investors regain confidence that AI drives **net value creation** for public software rather than accelerating commoditization; absent that, flows likely keep favoring **lower-volatility and commodity/real-asset exposures** on any volatility re-acceleration, with Tech leadership concentrated in semis and select platform names rather than broad-based software.

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.