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Monthly Insights: June Outlook

Information Technology Sector

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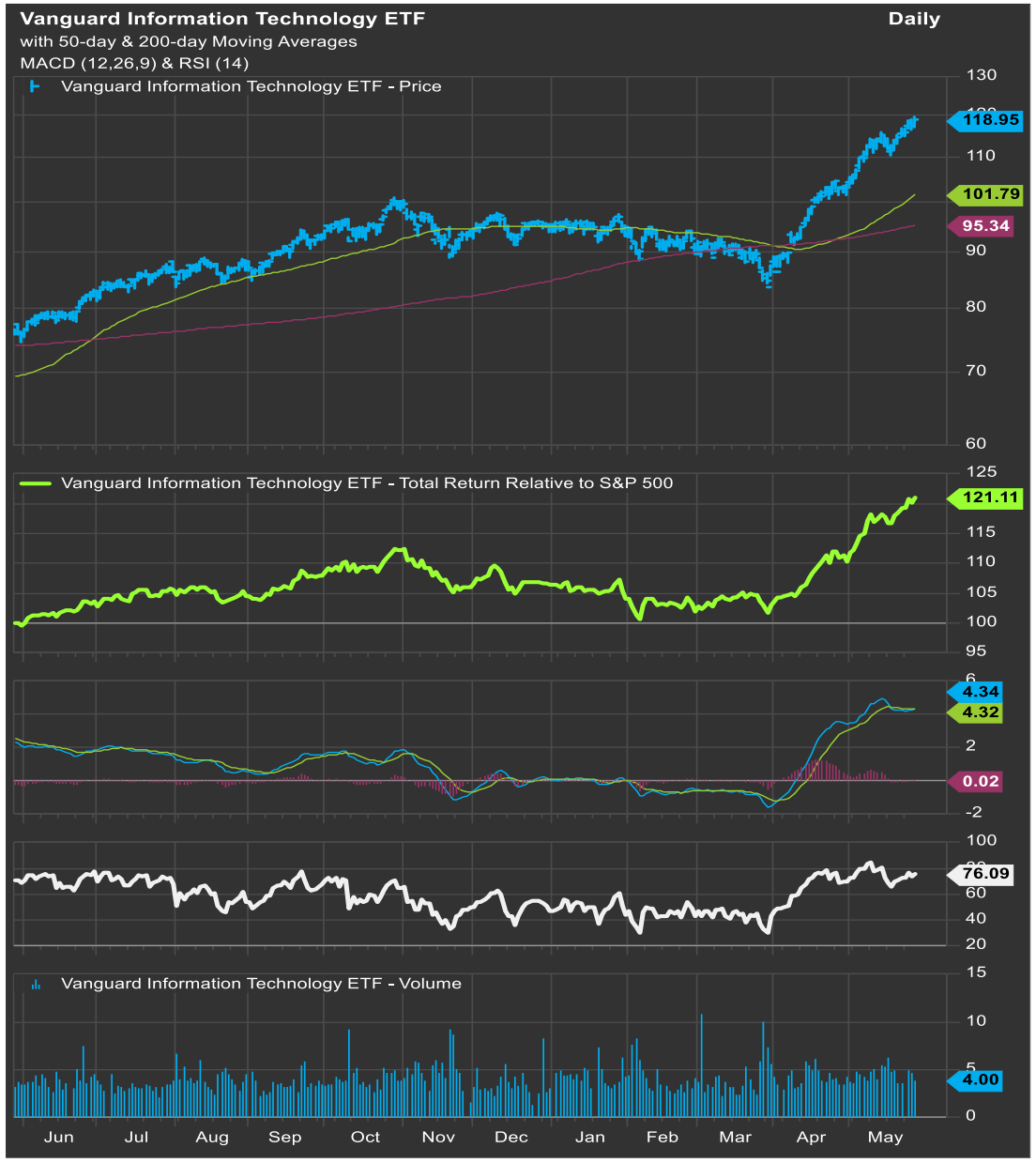
Sector Price Action & Performance Review: Information Technology Sector



The S&P 500 Information Technology sector should remain an **overweight** heading into June. Technology is the clearest earnings-growth engine in the index, the cleanest equity expression of the AI infrastructure cycle, and the sector with the strongest alignment between secular demand and current investor risk appetite. The qualification is valuation and technical discipline: the trade is no longer early, positioning is more crowded, and the sector is tactically overbought. That argues for maintaining overweight exposure, but adding through pullbacks rather than chasing every breakout.

Using VGT as the reference ETF, the technical profile is powerful but extended. In the 5/28 return and flow data you provided, VGT is up **12.35% over one month**, **25.67% over three months** and **29.08% over six months**, with an **RSI of 75.6**. Flows remain supportive, with roughly **$594 million of one-month inflows**, **$1.67 billion year-to-date inflows** and **$7.86 billion of one-year inflows**. That combination confirms durable investor sponsorship, but the RSI makes near-term risk/reward more sensitive to earnings, AI capex guidance, rates and policy headlines.

Technically, Technology is the strongest sector in the large-cap universe, but it is also the most extended. VGT's **12.35% one-month return** and **25.67% three-month return** confirm clear leadership. The **75.6 RSI** is the key caution signal. In institutional terms, this is not a sell signal; it is a signal that the sector is vulnerable to short, sharp pullbacks if the earnings or macro narrative loses momentum.

The technical risk is crowding. When a sector is up nearly 26% in three months and trades at a high RSI, the threshold for upside surprise rises. NVIDIA, Micron, Broadcom, Microsoft, Apple, semiconductor equipment and leading software companies all need to validate the narrative

The June outlook for Information Technology is **constructive and overweight**, with tactical discipline. Technology remains the sector with the best earnings profile, the strongest revenue growth, the highest ROE, and the clearest exposure to AI infrastructure. The sector is also the main reason the S&P 500 can support elevated index-level valuations despite sticky inflation and a restrictive Fed.

The upside case is continued AI capex validation. If hyperscalers, AI cloud providers and enterprise customers continue to increase spending, and if semiconductor, memory, AI server, networking and equipment suppliers continue to raise guidance, VGT can remain the dominant leadership sector. Confirmation from NVIDIA, Micron and Dell has already strengthened this case heading into June.

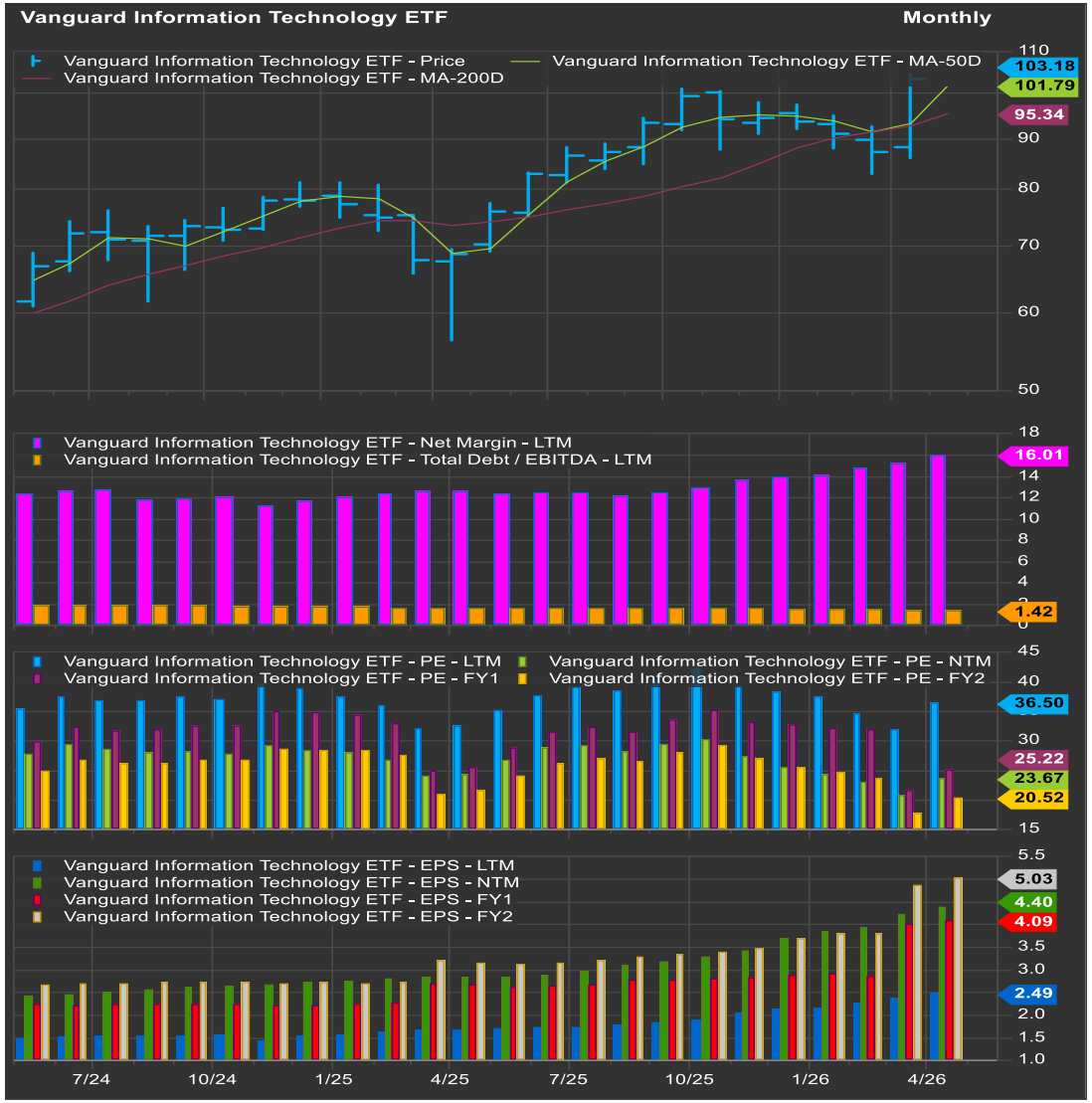
The second upside case is broadening within Technology. Semiconductors are already leading, but the next stage of outperformance would come from systems software, AI-enabled productivity platforms, security, networking, IT services and hardware ecosystems showing measurable AI monetization. If software begins to show clearer revenue capture from AI, the sector's leadership can become less dependent on chips alone.

The downside case is valuation compression. VGT's 31.8x P/E and 75.6 RSI leave little room for disappointment. A hotter inflation print, higher Treasury yields, weaker AI capex language, power-grid bottlenecks, export-control tightening, or margin pressure from supply shortages could all trigger a pullback. The sector's concentration means a single mega-cap earnings disappointment can affect the entire ETF.

Bottom line: Information Technology remains the highest-conviction large-cap sector overweight for June. The sector is expensive and technically extended, but it is expensive for fundamental reasons: earnings growth, revenue growth, profitability and AI capex are all stronger than the rest of the market. The right posture is not to reduce exposure simply because the trade has worked. The right posture is to remain overweight, use pullbacks to add, and monitor AI capex, rates, export controls and power constraints as the key June risk variables.

We start June with an overweight allocation of +8.08% to the Information Technology Sector in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

Fundamentals: Information Technology Sector



Fundamentally, Technology has the strongest combination of growth and profitability in the large-cap sector universe. Vanguard's VGT profile shows **317 stocks**, a **31.8x P/E**, **8.1x P/B**, **40.7% return on equity** and a **34.7% earnings-growth rate** as of March 31. Those metrics confirm the sector's premium quality profile, but also show that the sector is priced for continued execution. A 31.8x multiple can be justified by 40.7% ROE and 34.7% earnings growth, but only if earnings revisions remain positive and AI capex expectations continue to be met.

VGT is also highly concentrated. The top ten holdings represent **59.2%** of assets, led by NVIDIA at **18.6%**, Apple at **15.9%**, Microsoft at **10.2%**, Broadcom at **4.4%**, Micron at **2.0%**, AMD at **1.8%**, Palantir at **1.7%**, Cisco at **1.7%**, Applied Materials at **1.5%** and Lam Research at **1.5%**. This concentration is a source of both strength and risk. It gives the fund very direct exposure to AI compute, devices, operating systems, cloud infrastructure, semiconductors, memory and equipment, but it also means the sector is highly dependent on a small number of mega-cap earnings reports.

The industry mix is also favorable for the current cycle. Semiconductors represent **34.2%** of VGT, Technology Hardware, Storage & Peripherals **18.9%**, Systems Software **14.9%**, Application Software **11.2%**, Semiconductor Materials & Equipment **5.8%**, Communications Equipment **4.4%**, IT Consulting & Other Services **2.5%**, Electronic Components **2.2%** and Internet Services & Infrastructure **2.0%**. This mix is heavily exposed to the AI supply chain, but it also includes a meaningful recurring-revenue software sleeve and hardware ecosystem cash flows.

The strongest internal group remains semiconductors. AI accelerators, memory, networking, advanced packaging, semiconductor equipment and custom silicon are still the primary earnings revision engines. The key change in May was the broadening from GPU leadership into memory and AI server infrastructure. The risk is that expectations are now high: after the sector's sharp rally, merely "good" guidance may not be enough. Investors will expect continued evidence of AI demand, pricing power, supply tightness and customer capex durability.

Software remains more selective. Systems software has the clearest quality profile because recurring revenue, cybersecurity demand, cloud architecture and enterprise productivity are durable. Application software is more mixed because investors are demanding proof that AI features translate into pricing, seat growth, usage expansion or margin improvement. The market is less willing to reward "AI narrative" without observable revenue conversion.

Hardware and devices are also nuanced. Apple's weight in VGT gives the sector large exposure to consumer devices, ecosystem economics and China supply chains. AI-device optionality can help the narrative, but the device replacement cycle is not as clean as the data-center capex cycle. For June, the hardware sleeve should be viewed as quality cash flow and optionality, not the primary source of sector leadership.

Ticker	Price	1D	1W	1M	3M	6M	RSI	1M Flow	YTD Flow	1Y Flow
VGT	$115.75	+1.10%	+3.23%	+12.35%	+25.67%	+29.08%	75.6	$594.0M	$1.67B	$7.86B

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

Industry	Approx. Fund Weight	Fundamental Read	Macro / Policy Sensitivity
Semiconductors	34.2%	Core AI profit engine; strongest estimate revision profile.	Hyperscaler capex, export controls, memory, Taiwan, power, valuation.
Technology Hardware, Storage & Peripherals	18.9%	Ecosystem and device cash flows; AI-device cycle optionality.	China demand, tariffs, supply chains, app-store policy, upgrade cycles.
Systems Software	14.9%	High-margin recurring revenue and AI monetization potential.	Enterprise budgets, cybersecurity, cloud optimization, antitrust, rates.
Application Software	11.2%	Dispersion remains high; AI productivity must translate into revenue.	Seat growth, IT budgets, competition, AI pricing, valuations.
Semiconductor Materials & Equipment	5.8%	Benefits from advanced packaging, memory and foundry capex.	Export licenses, China restrictions, capex cycles, reshoring incentives.
Communications Equipment	4.4%	AI networking helps offset uneven telco spending.	Data centers, carrier capex, tariffs, components.
IT Consulting & Other Services	2.5%	Transformation budgets improve if enterprise confidence holds.	Discretionary IT spend, AI automation, labor costs, federal contracts.
Electronic Components	2.2%	Cyclical recovery candidate.	Industrial production, auto electronics, inventory, tariffs.
Internet Services & Infrastructure	2.0%	Cloud and infrastructure demand remains durable.	Hyperscaler spend, energy availability, regulation, rates.
Electronic Equipment / EMS / Other	3.9%	Broad hardware supply-chain exposure.	Manufacturing cycle, export controls, tariffs, inventory.

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

Symbol	Name	GICS Sector 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.	Information Technology	Uptrend	1,046,999.5	0.49	137.9	0.04	2.52	72.0
DDOG	Datadog, Inc. Class A	Information Technology	Bullish Reversal	73,380.5	4.06	68.7	0.00	1.94	62.3
QCOM	QUALCOMM Incorporated	Information Technology	Bullish Reversal	246,003.6	1.04	49.2	1.05	1.90	50.4
AKAM	Akamai Technologies, Inc.	Information Technology	Bullish Reversal	20,998.0	1.00	42.3	0.00	-0.44	45.6
FTNT	Fortinet, Inc.	Information Technology	Bullish Reversal	93,727.7	1.86	49.0	0.00	0.72	44.4
SNDK	Sandisk Corporation	Information Technology	Uptrend	235,453.8	0.45	209.1	0.00	4.82	43.6
AMD	Advanced Micro Devices, Inc.	Information Technology	Uptrend	808,027.8	2.42	105.9	0.00	2.73	43.1
STX	Seagate Technology Holdings PLC	Information Technology	Uptrend	195,227.2	1.61	106.5	0.24	2.79	41.2
INTC	Intel Corporation	Information Technology	Uptrend	612,016.0	4.63	134.1	0.03	3.37	38.3
CRWD	CrowdStrike Holdings, Inc. Class A	Information Technology	Bullish Reversal	164,267.7	5.80	46.6	0.00	1.40	37.0

Symbol	Name	GICS Sector 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
INTU	Intuit Inc.	Information Technology	Downtrend	84,175.5	0.55	-37.3	1.07	0.64	-26.0
TRMB	Trimble Inc.	Information Technology	Downtrend	12,793.2	0.69	-29.5	#N/A	1.21	-23.2
CDW	CDW Corporation	Information Technology	Downtrend	14,588.2	0.49	-19.8	1.56	0.94	-18.7
EPAM	EPAM Systems, Inc.	Information Technology	Downtrend	5,312.2	0.36	-35.2	0.00	1.05	-17.5
ANET	Arista Networks Inc	Information Technology	Uptrend	194,307.6	1.85	0.3	0.00	1.78	-15.5
TYL	Tyler Technologies, Inc.	Information Technology	Downtrend	12,757.8	1.07	-26.0	#N/A	0.48	-15.3
ROP	Roper Technologies, Inc.	Information Technology	Downtrend	31,952.5	0.66	-21.9	0.77	0.57	-15.1
PLTR	Palantir Technologies Inc. Class A	Information Technology	Retracement	304,252.4	3.68	-16.5	0.00	1.25	-12.3
TDY	Teledyne Technologies Incorporated	Information Technology	Consolidation	28,377.5	1.17	-10.9	0.00	0.91	-11.5
TER	Teradyne, Inc.	Information Technology	Uptrend	58,833.2	2.14	20.2	0.10	1.72	-11.4

AI Infrastructure plays have the wind in their sails

Software and IT services names are the pockets of weakness, but keep in mind the case of cyber-stocks (CRWD, FTNT). They were sold hard until earnings results bolstered their case for inclusion in the AI eco-system.

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

The macro environment is supportive for Technology, but with a higher volatility profile than earlier in the year. The sector benefits from AI-related investment, strong corporate margins, asset-price appreciation and investor appetite for long-duration growth. Reuters noted that economic activity is being supported by AI-related investment and affluent-consumer spending, even as real disposable income weakens. That is an important point: Technology is increasingly part of the capital-spending backbone of the economy, not simply a discretionary growth trade.

The rate environment remains the main macro constraint. New York Fed President John Williams said policy is "right where we want it to be" and described Fed policy as slightly restrictive, but also said near-term inflation is likely to remain elevated, with PCE inflation around **4%** and core inflation above **3%**. Financial markets are still pricing the Fed funds target range at **3.50%–3.75%**, with some concern that persistent inflation could require tighter policy. Higher rates do not invalidate the Technology overweight, because earnings growth is strong, but they do reduce tolerance for valuation disappointment.

Inflation is also a second-order Technology risk. PCE inflation rose **3.8%** year over year in April, while core PCE rose **3.3%**. Reuters attributed the inflation acceleration to energy disruption, tariffs and supply-chain pressure, and noted that real disposable income fell **0.5%** in April. For Technology, sticky inflation creates two risks: higher discount rates and weaker consumer/device demand. It also raises data-center operating costs through electricity, cooling, construction, labor and supply-chain inflation.

Power availability is becoming a structural constraint on Technology growth. The DOE has estimated that U.S. data-center load growth tripled over the past decade and is projected to double or triple by 2028, while EIA has pointed to large computing centers as a driver of the strongest multi-year U.S. electricity demand growth since 2000. This matters for Technology because AI demand is no longer constrained only by chip supply; it is also constrained by power, grid interconnection, cooling, land, water, transformers and permitting.

Policy risk is unusually high. The first channel is export controls and U.S.-China technology restrictions. The most advanced semiconductors, AI accelerators, semiconductor equipment and related technology remain strategically sensitive, and any change in licensing or enforcement can directly affect revenue assumptions. NVIDIA's China disclosure is an explicit reminder that the largest AI beneficiary is still operating with a major geopolitical constraint.

The second policy channel is tariffs and supply-chain security. Technology hardware, devices, components, networking equipment and semiconductor supply chains are globally distributed. Tariffs can raise input costs, distort inventory behavior and pressure margins for downstream hardware companies. They can also support domestic reshoring narratives and semiconductor equipment demand, but the transition is capital-intensive and slow.

The third policy channel is AI regulation. Enterprise AI adoption, data privacy, cybersecurity, model governance, content liability and national-security rules will become increasingly relevant as AI moves from experimentation into production workflows. This is most important for software, cloud, infrastructure, chipmakers and platform companies. The sector can absorb regulatory noise while earnings are accelerating, but sustained policy uncertainty could compress multiples.

Other Important Narratives:

The first and most important May narrative was earnings. The broader S&P 500 earnings season was strong, but Technology was the standout sector. FactSet reported that the S&P 500's blended Q1 earnings growth rate reached **28.4%**, the highest since Q4 2021 if sustained, with Technology among the leading contributors. At the sector level, Information Technology reported the highest year-over-year earnings growth of all eleven sectors at **53.4%**, up from **44.6%** at the end of March. The sector also delivered the highest revenue growth of all sectors at **29.8%**, up from **27.4%** at quarter-end.

The quality of Technology's earnings growth mattered. FactSet showed that all six Technology industries were reporting year-over-year earnings growth, led by **Semiconductors & Semiconductor Equipment at 107%**, followed by Electronic Equipment, Instruments & Components at **41%**, Technology Hardware, Storage & Peripherals at **36%**, Software at **23%**, Communication Equipment at **18%** and IT Services at **8%**. On revenue, all six industries also grew, led again by Semiconductors & Semiconductor Equipment at **54%**. That breadth is important because it shows the Technology rally is not only a single-stock phenomenon, even though the largest names are clearly dominating the index-level contribution.

NVIDIA was the central May catalyst. The company reported record fiscal Q1 revenue of **$81.6 billion**, up **85%** from a year earlier, and record Data Center revenue of **$75.2 billion**, up **92%**. NVIDIA also reported non-GAAP gross margin of **75.0%**, non-GAAP EPS of **$1.87**, an additional **$80 billion** share repurchase authorization, and Q2 revenue guidance of **$91 billion**, plus or minus 2%. This reinforced the market's view that AI infrastructure demand remains strong enough to support premium multiples in semiconductors and AI-linked hardware.

The NVIDIA report also reframed the AI narrative from "GPU demand" to "AI factory infrastructure." Management described the AI buildout as a large infrastructure expansion, and the company is changing its reporting framework to separate Data Center into hyperscale and broader AI clouds, industrial and enterprise categories. That matters because investors increasingly want evidence that AI demand is broadening beyond a small group of hyperscalers into governments, enterprises, industrial customers and AI cloud platforms.

The second major narrative was memory and the broadening of semiconductor leadership. Reuters reported that the S&P 500 and Nasdaq hit record closing highs on May 26 as AI optimism offset geopolitical concerns, with Micron surging **19%** and reaching a **$1 trillion** market value after a major UBS price-target increase. Reuters also reported that the Philadelphia Semiconductor Index hit an all-time high and gained **5.5%** that session. This was an important signal that investors were not only rewarding NVIDIA; they were also re-rating memory, networking, custom silicon and broader semiconductor infrastructure.

The third narrative was confirmation from AI infrastructure suppliers. Dell raised its annual revenue and profit outlook after reporting sharply stronger AI server demand. Reuters reported that Dell now expects roughly **$60 billion** of AI server revenue for fiscal 2027, up from a prior forecast of **$50 billion**, and raised its annual revenue forecast to **$165 billion–$169 billion** from **$138 billion–$142 billion**. Reuters also noted that U.S. tech giants including Alphabet and Amazon plan to spend more than **$700 billion** on AI infrastructure this year. This validated the demand signal across servers, storage, networking, memory and data-center systems.

The fourth narrative was cost inflation and supply tightness inside the AI supply chain. Dell's COO said the company was repricing frequently in an inflationary environment, and Reuters reported that Dell was managing the memory chip crisis through price increases and supply-chain adjustments. For Technology, this is a double-edged sword: supply tightness supports pricing power for semiconductors, memory and critical infrastructure suppliers, but it also raises capex intensity and margin risk for downstream customers.

The fifth narrative was China and export controls. NVIDIA's official outlook stated that its Q2 revenue guidance assumes **no Data Center compute revenue from China**. This is a major policy variable for Technology because the sector's highest-growth profit pool is also the area most exposed to national-security restrictions, export licensing, China substitution and geopolitical retaliation. It does not change the June overweight call, but it does raise the risk premium around semiconductors and advanced computing.

Appendix: Sources (all chart sourced from FactSet Research Systems Inc.)

- **FactSet Earnings Insight** — Technology sector earnings growth, revenue growth and semiconductor contribution.
- **NVIDIA Q1 FY2027 earnings release** — AI data-center revenue, guidance, gross margin, buyback and China/export-control assumptions.
- **Reuters: Dell raises forecasts on AI data-center demand** — AI server demand, data-center buildout and infrastructure capex.
- **Reuters: S&P 500 / Nasdaq hit records on AI optimism; Micron joins $1T club** — semiconductor breadth and AI market narrative.
- **Reuters: Amazon AWS / AI capex** — hyperscaler AI demand and cloud infrastructure read-through.
- **DOE data-center electricity-demand report** — data-center load growth and power constraint for AI infrastructure.
- **EIA Short-Term Energy Outlook** — electricity-demand forecasts relevant to data-center and AI power requirements.

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.