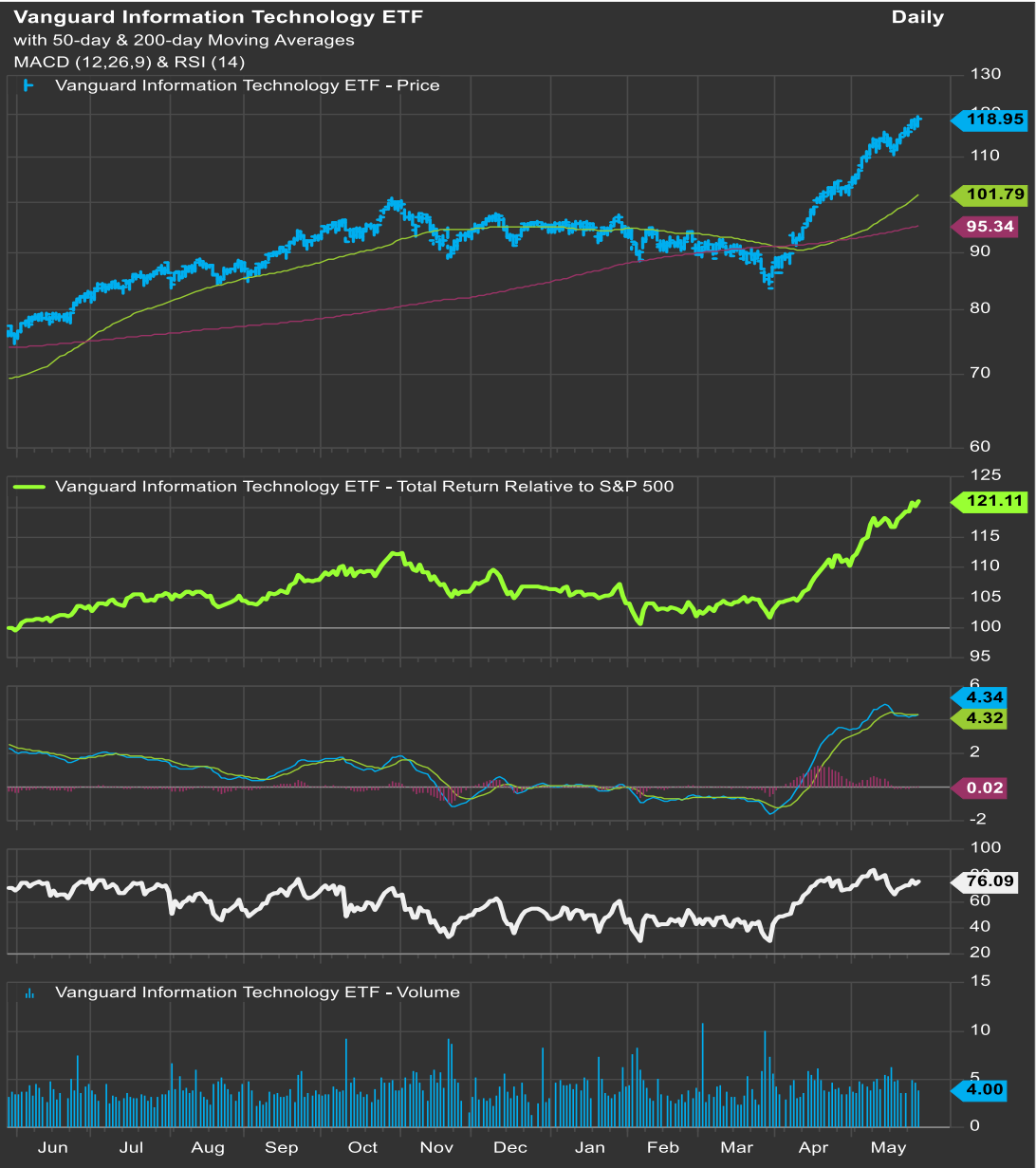


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Monthly Insights: July Outlook
Information Technology Sector

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Sector Price Action & Performance Review: Information Technology Sector



Information Technology enters July as the model’s top-ranked sector, but the June tape was much more selective than the headline score implies. VGT fell **3.0%** over the past month, roughly in line with the S&P 500 proxy, but the sector remains up **30.9% over three months** and **19.1% over six months**. The model is still rewarding Technology’s strong relative trend, but June exposed a clear split between AI infrastructure winners and AI spending/valuation losers.

The strongest industry-level performance came from **Electronic Equipment, Instruments & Components, Technology Hardware, Storage & Peripherals**, and **Semiconductors & Semiconductor Equipment**. Applied Materials, Marvell, KLA, Sandisk, Dell, Micron, Corning and Lam Research all appeared near the top of the sector’s stock table. This is the “AI physical infrastructure” basket: memory, storage, semiconductor equipment, hardware, interconnect and components.

The weakest areas were **IT Services** and **Software**. Accenture and Cognizant were the two worst IT services names and both are in downtrends. Oracle, Palantir, Autodesk, PTC, Adobe and Intuit all lagged inside Software. That does not mean software is structurally broken, but it does show that investors are demanding clearer evidence of AI monetization, usage-based pricing, margin protection and capex discipline.

July Outlook

The July outlook for Information Technology is **constructive but selective**. The model ranks the sector **1st**, fundamentals are strong, earnings revisions are positive and Technology still has the best combination of revenue growth, margin expansion and analyst support in the S&P 500. But June showed that leadership is narrowing and the market is becoming more demanding.

The best July opportunities are in **Semiconductors & Semiconductor Equipment, memory/storage hardware, electronic components and cybersecurity software**. These industries have the clearest earnings linkage to AI infrastructure and the best stock-level momentum. Applied Materials, Marvell, KLA, Lam Research, Micron, Sandisk, Dell, Western Digital, Corning, Palo Alto and Fortinet represent the strongest themes in the stock file.

The weakest July setups are in **IT Services, traditional enterprise software and AI spenders with heavy capex or weak free-cash-flow visibility**. Accenture, Cognizant, Oracle, Palantir, Autodesk, Adobe and Intuit all show weak chart or momentum profiles. Some of these stocks may become attractive if expectations reset, but the current tape says the market wants proof.

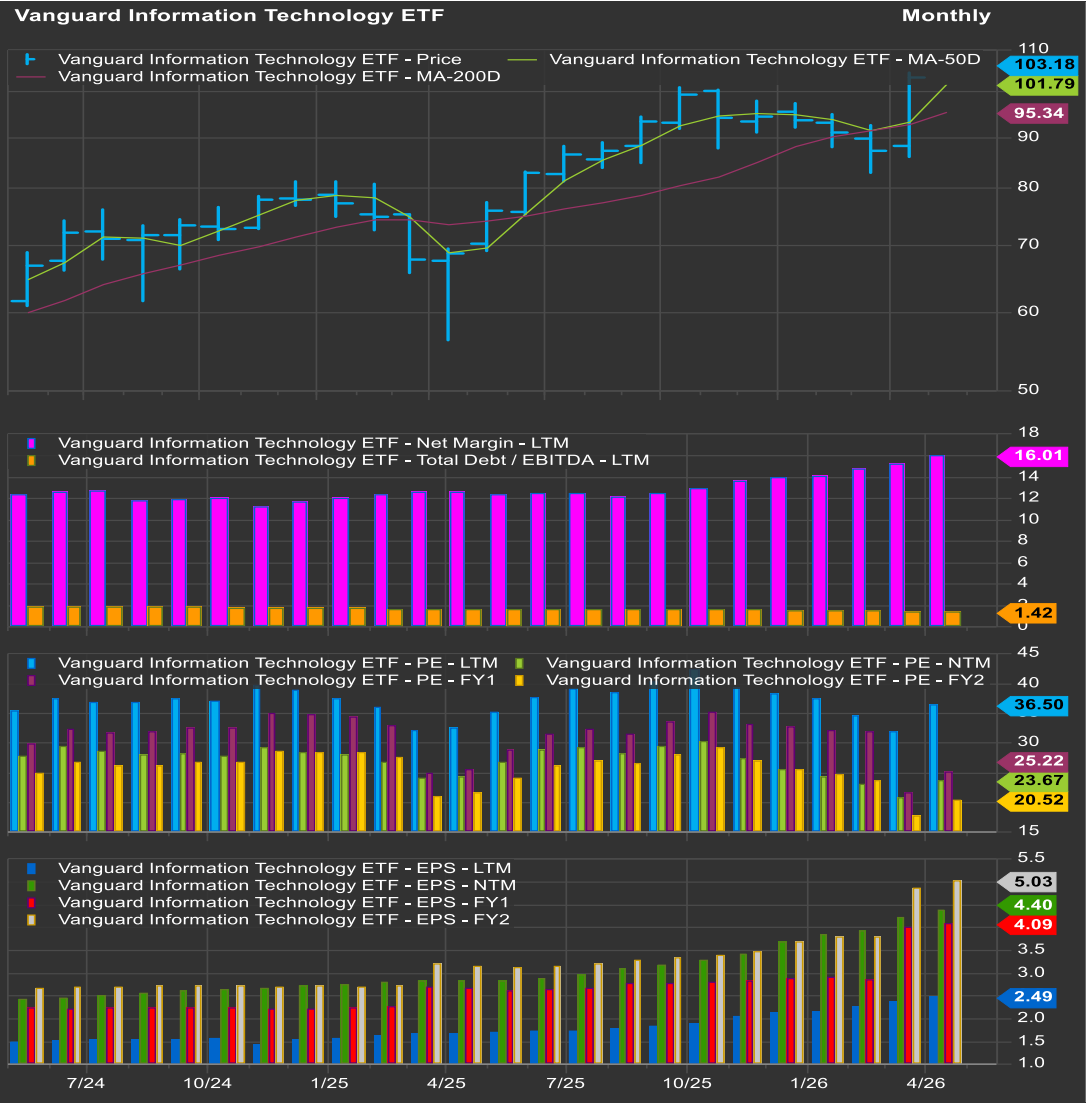
Upside case: Q2 earnings confirm FactSet’s Technology earnings-growth path, memory demand remains supply constrained, semiconductor equipment orders stay strong, cybersecurity guidance improves, and real yields stop rising. In that scenario, Technology can resume leadership and VGT can outperform again.

Downside case: hyperscaler capex slows, AI debt issuance raises bubble concerns, export-control headlines intensify, memory pricing causes downstream margin pressure, or software earnings fail to show AI monetization. In that scenario, Technology remains vulnerable to another valuation reset, especially in software, services and mega-cap AI spenders.

Bottom line: Technology remains the highest-ranked sector and still deserves a constructive July bias, but it should be owned with more precision. Favor AI providers over AI spenders, hardware scarcity over vague AI narratives, and cybersecurity over traditional software models. Avoid assuming that every Technology stock benefits equally from AI.

We start July with an **overweight allocation of +4.63% to the Information Technology Sector in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

Fundamentals: Information Technology Sector



The fundamental case for Information Technology remains the strongest in the S&P 500. FactSet expects the sector to deliver the **second-highest Q2 earnings growth rate** among all 11 sectors at **63.2%**, with all six industries expected to post year-over-year earnings growth. The industry breakdown is highly concentrated: Semiconductors & Semiconductor Equipment are expected to grow earnings **131%**, Technology Hardware, Storage & Peripherals **44%**, Electronic Equipment, Instruments & Components **31%**, Communications Equipment **21%**, Software **17%**, and IT Services **6%**.

That concentration matters. FactSet says Semiconductors & Semiconductor Equipment are the largest contributor to Technology earnings growth; excluding that industry, the sector's expected earnings growth would fall to **25.7%** from **63.2%**. This is why the sector can remain fundamentally strong even while many software, services and mega-cap platform stocks correct.

The revenue and margin profile is also powerful. FactSet expects Technology to deliver the **highest revenue growth rate** of any S&P 500 sector at **34.2%**, with Semiconductors & Semiconductor Equipment expected to grow revenues **75%** and Technology Hardware, Storage & Peripherals **29%**. FactSet also expects Technology's Q2 net margin to rise to **30.7%**, up from **25.2%** a year ago and above the sector's five-year average of **25.3%**.

Revisions confirm the strength. FactSet reports Technology has recorded the second-largest increase in estimated dollar-level earnings since the start of the quarter, rising **9.9%** to **\$223.6B** from **\$203.4B**. It also notes that **62 of 74** Technology companies saw EPS estimates rise since March 31, and **23** had estimate increases of more than 10%.

The risk is that the sector's earnings leadership is already widely recognized. Analysts are positive — FactSet shows Technology with the highest percentage of Buy ratings among S&P 500 sectors at **69%** — but that also means companies with weak AI monetization or deteriorating cash-flow optics will be punished quickly.

Ticker	Exposure	Price	1D	1W	1M	3M	6M	RSI
VOO	S&P 500	\$670.26	-0.5%	-2.6%	-2.9%	+13.0%	+6.0%	43.2
VGT	Information Technology	\$113.86	-1.4%	-5.1%	-3.0%	+30.9%	+19.1%	47.6

Industry/Sub-Industry Performance and Model Scores: Information Technology Sector



Indicator	Latest Reading	June Message	Investment Interpretation
Information Technology model score	1.32	Strong positive	Top-ranked sector in the model.
Information Technology model rank	1 / 11	Leadership signal	Model still favors Technology over every other sector.
Model profile	Momentum / Trend	Trend leadership	The model is rewarding persistent relative strength, not an oversold rebound.
VGT 1M return	-3.0%	Short-term correction	Sector corrected with mega-cap growth and AI capex concerns.
VGT 3M return	+30.9%	Very strong trend	Intermediate leadership remains intact.
VGT 6M return	+19.1%	Strong longer trend	Technology remains a major 2026 return driver.
VGT RSI	47.6	Neutral	The sector is no longer tactically overbought after June weakness.
SMH 1M return	+2.7%	Semis outperforming	Semiconductor ETF strength confirms AI hardware leadership.
10Y real yield	2.18%	Restrictive	Higher real rates keep pressure on long-duration growth valuations.
VIX	18.41	Volatility higher	AI leadership correction has increased equity volatility.
10Y breakeven inflation	2.20%	Inflation expectations lower	Helps valuation pressure at the margin, but real rates remain high.

Top 10 Stock Level Performers: Information Technology Sector

Symbol	Company	Sector	Industry	Pattern	1M Excess	Valuation Rel.	Momentum Score	Div Yield Rel.	Beta
AMAT	Applied Materials	Information Technology	Semiconductors & Semiconductor Equipment	Uptrend	+42.1%	2.07	74.4	0.19	1.62
MRVL	Marvell Technology	Information Technology	Semiconductors & Semiconductor Equipment	Uptrend	+32.9%	2.70	133.1	0.06	2.66
KLAC	KLA	Information Technology	Semiconductors & Semiconductor Equipment	Uptrend	+31.7%	2.42	55.5	0.20	1.51
SNDK	Sandisk	Information Technology	Technology Hardware, Storage & Peripherals	Uptrend	+30.0%	0.55	266.7	0.00	4.88
DELL	Dell Technologies	Information Technology	Technology Hardware, Storage & Peripherals	Uptrend	+28.7%	1.00	108.3	0.43	1.68
MU	Micron Technology	Information Technology	Semiconductors & Semiconductor Equipment	Uptrend	+25.3%	0.41	166.5	0.04	3.00
GLW	Corning	Information Technology	Electronic Equipment, Instruments & Components	Uptrend	+23.7%	2.98	58.3	0.33	1.28
LRCX	Lam Research	Information Technology	Semiconductors & Semiconductor Equipment	Uptrend	+22.0%	2.34	59.7	0.18	2.04
PANW	Palo Alto Networks	Information Technology	Software	Bullish Reversal	+20.7%	3.71	62.7	0.00	1.35
FTNT	Fortinet	Information Technology	Software	Bullish Reversal	+19.4%	2.29	60.4	0.00	1.14

The top table is almost entirely **AI infrastructure and cybersecurity**. Six of the top eight names are semiconductor, memory, storage or hardware-linked. These companies are selling into the bottleneck areas of the AI buildout: memory, storage, semicap equipment, compute infrastructure, optical/components and physical data-center capacity.

Micron is the best fundamental read-through. Reuters reported that global chip stocks surged after Micron's results and forecast reignited the AI rally, with investors becoming more confident about persistent demand and tightening supply. Micron surged after forecasting quarterly profit and revenue above expectations.

Memory and storage leadership is even clearer in the stock file. Sandisk, Dell, Micron and Western Digital all have very high momentum scores, and Sandisk's beta of **4.88** shows that the market is treating memory/storage as a high-volatility AI scarcity trade. Reuters noted that analysts expected memory-chip demand to outpace supply for at least two years going into Micron's results, which helps explain why the stock-level momentum is so extreme.

Cybersecurity is the software exception. Palo Alto and Fortinet both ranked in the top 10 despite broader Software weakness. Reuters reported that Palo Alto raised its annual revenue and profit forecast on stronger enterprise demand for cloud, identity and AI-driven cybersecurity, reinforcing that security is one of the few software categories where AI is increasing demand rather than compressing it.

Bottom 10 Stock Level Performers: Information Technology Sector

Symbol	Company	Sector	Industry	Pattern	1M Excess	Valuation Rel.	Momentum Score	Div Yield Rel.	Beta
ACN	Accenture	Information Technology	IT Services	Downtrend	-25.0%	0.44	-43.3	3.70	0.75
ORCL	Oracle	Information Technology	Software	Retracement	-24.4%	0.89	-18.1	0.93	2.06
ON	ON Semiconductor	Information Technology	Semiconductors & Semiconductor Equipment	Retracement	-24.1%	1.23	24.2	0.00	2.69
SMCI	Super Micro Computer	Information Technology	Technology Hardware, Storage & Peripherals	Support	-23.2%	0.48	3.5	0.00	3.22
CTSH	Cognizant Technology Solutions	Information Technology	IT Services	Downtrend	-23.0%	0.34	-43.0	2.33	0.62
QCOM	Qualcomm	Information Technology	Semiconductors & Semiconductor Equipment	Bullish Reversal	-19.2%	0.87	11.7	1.35	2.10
PLTR	Palantir Technologies	Information Technology	Software	Retracement	-18.6%	3.20	-33.4	0.00	1.47
FSLR	First Solar	Information Technology	Semiconductors & Semiconductor Equipment	Bullish Reversal	-18.5%	0.57	-4.3	0.00	2.04
AKAM	Akamai Technologies	Information Technology	IT Services	Bullish Reversal	-18.2%	0.82	-9.6	0.00	-0.10
APP	AppLovin	Information Technology	Software	Uptrend	-17.8%	1.26	-8.7	0.00	2.67

The bottom table is the warning against broad Technology exposure. The worst names are concentrated in **IT Services, software, valuation-sensitive AI platforms and select chip/hardware stocks where expectations had become too crowded.**

IT Services is the weakest industry. Accenture and Cognizant both have Downtrend patterns and momentum scores near **-43**. Their high dividend-yield multiples do not help because the market is not rewarding yield in Technology; it is rewarding earnings acceleration and AI leverage. The industry's problem is that AI may improve productivity, but it can also pressure traditional headcount- and project-based services models.

Oracle is the clearest example of the AI “spender” problem. Reuters reported that Oracle expected to raise nearly **\$40B** through debt and equity in 2027 and that fiscal 2026 capex reached **\$55.66B**, above its prior target, prompting investor concern about rising debt and negative free cash flow. That directly matches the stock table: ORCL is in Retracement with negative 1-month excess return and negative momentum.

Software weakness is not uniform, but it is real. Palo Alto, Fortinet, Datadog and CrowdStrike have better AI/cybersecurity stories, while Oracle, Palantir, Autodesk, PTC, Adobe and Intuit have weaker chart profiles. Reuters described the software setup as a rebound where investors are rewarding firms that integrate AI and adjust pricing models, while steering clear of companies too dependent on traditional seat-based subscription pricing.

Economic & Policy Drivers: Information Technology Sector

Semiconductors & Semiconductor Equipment

Semiconductors remain the most important Technology industry. FactSet expects the industry to deliver **131%** Q2 earnings growth and **75%** revenue growth, and the model data show SMH outperforming VGT over one month. The leadership list confirms it: Applied Materials, Marvell, KLA, Micron, Lam Research, Teradyne, Intel and AMD all have strong 3-month momentum profiles.

The main driver is AI memory and equipment scarcity. Reuters reported that Micron's results reignited global chip stocks as investors gained confidence in persistent demand and tightening supply. Reuters also noted that Micron, Samsung and SK Hynix are trying to convince investors that long-term AI data-center contracts can reduce the historical boom-bust volatility of memory.

The policy risk is export controls. The Commerce Department's late-May guidance tightened AI-chip export enforcement for Chinese-headquartered entities located outside China. That is strategically supportive of U.S. AI leadership, but it also creates revenue, compliance and supply-chain uncertainty for chipmakers, foundries, equipment suppliers and hyperscaler customers.

Technology Hardware, Storage & Peripherals

This industry is split between high-momentum storage winners and mega-cap hardware pressure. Sandisk, Dell, Western Digital and HPE are all strong, while Apple is a drag because of its size and because memory-cost inflation is starting to hit consumer devices.

Reuters reported that Apple raised prices on MacBooks, iPads and other devices because memory and storage chip costs had surged due to AI data-center demand. That is the key industry dynamic: memory inflation is bullish for Sandisk, Micron and Western Digital, but it can pressure device makers' margins or consumer demand if costs are passed through.

The market-cap-weighted industry return was negative despite strong average returns because Apple dominates the group. That is why July hardware exposure should favor memory/storage and server/data-center hardware rather than broad consumer device exposure.

Electronic Equipment, Instruments & Components

Electronic Equipment, Instruments & Components had the best market-cap-weighted excess return inside Technology. Corning, Amphenol, CDW and TE Connectivity drove the group, and the industry has a strong average momentum score. The market is rewarding companies tied to optical, interconnect, distribution, components and physical data-center buildouts.

This group is attractive because it gives investors AI infrastructure exposure without relying solely on GPU or hyperscaler earnings. It is still cyclical and valuation-sensitive, but the stock table shows better breadth than Software or IT Services.

Software

Software is the most bifurcated industry in Technology. Cybersecurity and observability names worked; large enterprise software and AI-spending names lagged. Palo Alto, Fortinet, Datadog and CrowdStrike had strong or positive 1-month excess returns, while Oracle, Palantir, Autodesk, Adobe, PTC, Salesforce, Microsoft and Intuit were weak.

The central issue is monetization. Reuters reported that software investors are rewarding firms that integrate AI successfully and move toward usage-based pricing, while avoiding companies dependent on traditional seat-based models. That is the correct July framework: AI can help

Software, but only if it produces pricing power, usage growth or productivity gains that show up in earnings.

Oracle highlights the capex problem. The company is building AI infrastructure at a scale that makes investors focus on funding, free cash flow and debt. That makes Oracle more similar to an AI infrastructure spender than a pure software-margin story.

IT Services

IT Services is the weakest industry in the sector. Accenture, Cognizant and Gartner are in downtrends, and the industry has the worst average 1-month excess return and the worst average momentum score in the Technology file. The group's low valuation multiples and high dividend-yield multiples are not enough to offset weak price structure.

The industry faces a difficult AI transition. AI can improve service delivery and margins, but it can also reduce demand for labor-intensive outsourcing, consulting and implementation work. Until investors see clear evidence that services companies can monetize AI rather than be disrupted by it, this industry should remain underweight.

Communications Equipment

Communications Equipment is mixed. Ciena remains in an Uptrend but still posted negative 1-month excess return. Cisco, Arista, Juniper and F5 show better long-cycle exposure to networking, data centers and enterprise infrastructure, but the group is not yet as strong as semiconductors or components.

The long-term demand driver is clear: AI workloads require networking capacity, optical transport and data-center connectivity. The near-term stock signal is less clear. The industry's average momentum score is positive, but 1-month excess return is slightly negative, so July exposure should be selective rather than broad.

What Shaped the Information Technology Narrative in June

June's Technology narrative shifted from **"AI lifts the whole sector"** to **"AI infrastructure winners are different from AI spenders."** Reuters described the growing market distinction between AI providers such as chipmakers and AI spenders such as large platform companies funding data-center buildouts through debt and equity issuance.

The stock table confirms that distinction. Applied Materials, Marvell, KLA, Micron, Sandisk, Dell, Corning and Lam Research were rewarded because they sell into AI capacity scarcity. Oracle, Accenture, Cognizant, Palantir, Autodesk, Adobe and Intuit were penalized because investors are less convinced that AI spending or software integration will translate quickly into free cash flow.

The second narrative was "chipflation." Memory scarcity helped Micron, Sandisk and Western Digital, but it created cost pressure for Apple and other device makers. Reuters reported that Apple raised device prices because memory and storage costs had surged as suppliers prioritized AI data-center demand.

The third narrative was policy. Export controls remain a strategic support for the U.S. AI ecosystem, but they also create headline risk, China revenue uncertainty and compliance complexity. For Technology, policy is no longer a background issue; it is part of the earnings-multiple debate.

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

ETFInsight V8 Sector Model Workbook, June 26, 2026 — Vanguard sector ETF returns, RSI readings, sector selection scores, macro indicator readings, rates, credit, commodities, volatility and breadth data.

FactSet Earnings Insight, June 26, 2026 — S&P 500 and Information Technology Q2 earnings-growth estimates, revenue-growth estimates, semiconductor contribution, industry-level growth rates, margin expectations, EPS revisions, valuation and analyst-rating context.

Federal Reserve FOMC Statement, June 17, 2026 — policy-rate backdrop, solid-growth language, inflation language and real-rate sensitivity for high-multiple Technology.

Reuters: Global chip stocks jump as Micron results reignite AI rally, June 25, 2026 — Micron earnings, memory demand, tightening supply and semiconductor sentiment.

Reuters: Investors await Micron earnings as chip sector whipsaws, June 24, 2026 — memory demand expectations, Micron earnings sensitivity and semiconductor volatility.

Reuters: Micron joins rivals pitching AI deals as cure for memory boom-bust cycle, June 25, 2026 — long-term AI memory contracts, data-center demand and memory-cycle durability.

Reuters: Oracle's AI spending blows past estimates, June 10, 2026 — AI infrastructure capex, debt/equity funding plans, free-cash-flow concerns and software-capex risk.

Reuters: Palo Alto raises annual forecasts on strong AI cybersecurity demand, June 2, 2026 — cybersecurity demand, AI-driven threat environment, cloud and identity-security growth.

Reuters: Software stocks bounce back; now comes the hard part, June 3, 2026 — AI monetization, usage-based software pricing, cybersecurity leadership and traditional subscription-model risk.

Reuters: Apple raises prices of MacBooks and iPads as memory costs skyrocket, June 25, 2026 — memory-cost inflation, device-price increases, hardware margin risk and downstream AI supply-chain pressure.

Reuters: U.S. takes step to halt Nvidia AI chip shipments to Chinese firms outside China, May 31, 2026 — AI chip export controls, China-related policy risk, Blackwell restrictions and semiconductor compliance backdrop.

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.