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Monthly Insights: August Outlook

Information Technology Sector

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Sector Price Action & Performance Review: Information Technology Sector

Information Technology enters August as a **constructive but more balanced overweight**. VGT's source proxy fell **7.8% over one month**, but it remains up **10.4% over three months** and **17.8% over six months**. That combination says the sector is correcting, not breaking. The model's **Consolidation** pattern captures the new setup: the sector is no longer in a straight-line AI hardware momentum phase, but the long-term trend and earnings leadership remain intact.

The strongest industry groups were **IT Services** and **Software**. Cognizant, Accenture, Workday, Microsoft, Adobe, Autodesk, Intuit, PTC and Gartner all ranked near the top of the sector. This is a major change from the prior month, when IT services and software were weaker relative pockets. Investors used the AI hardware correction to rotate into laggard software/services names where valuations had compressed and expectations had reset.

The weakest industries were **Semiconductors & Semiconductor Equipment**, **Electronic Equipment, Instruments & Components**, and parts of **Technology Hardware, Storage & Peripherals**. Corning, Sandisk, KLA, Marvell, Coherent, Intel, Lam Research, Flex, Applied Materials and Teradyne were the bottom 10 sector performers. Importantly, every bottom-10 stock is still classified as an **Uptrend**. That means the AI infrastructure thesis is not broken; the trade was simply too crowded and needed to digest prior gains.

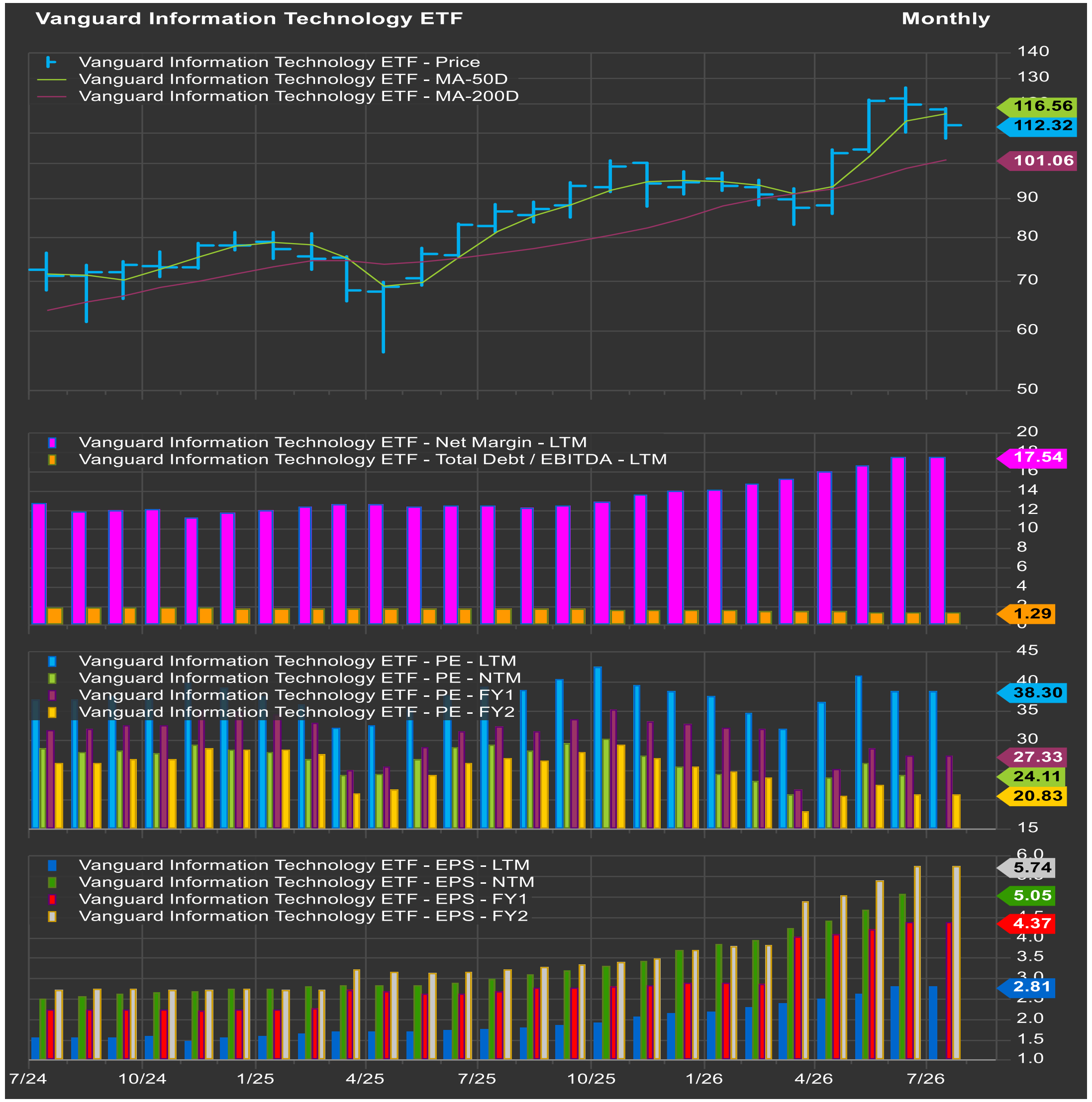
Amazon and Microsoft changed the late-month tone. Amazon is not an Information Technology constituent, but its AWS acceleration is highly relevant for the Technology sector because it validates cloud infrastructure demand and AI monetization. Microsoft's Azure outlook had the same effect inside the sector. Together, those results improved confidence that AI spending can produce revenue growth, even while investors remain more skeptical of free-cash-flow pressure and hardware crowding. The August outlook for Information Technology is **constructive and overweight, but selective**. The Elev8 portfolio holds VGT at **40.4%**, roughly **440 bp above benchmark**, and the sector has the second-highest model score. That is justified by earnings strength, cloud validation and the sector's dominant role in S&P 500 profit growth.

The best August opportunities are in **Software, IT Services recovery, Microsoft/cloud monetization, selected hardware and stabilized AI infrastructure leaders**. Workday, Microsoft, Adobe, Autodesk, Cognizant, Accenture, HP and select enterprise software names best represent the current leadership shift.

The weaker near-term areas are **semicap equipment, memory/storage, optical components and crowded AI hardware supply-chain names**. These groups remain strategically important, and our stock level work shows pervasive near-term oversold conditions.

We start August with an overweight allocation of +4.44% 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 Technology remains strong. FactSet reported that seven sectors are now showing double-digit Q2 earnings growth, led by Energy, Communication Services and **Information Technology**, with Technology earnings growth at **64.6%**. FactSet also reported that all 11 sectors are showing year-over-year revenue growth, led by Information Technology, Energy, Communication Services and Financials.

The key question is no longer whether Technology has earnings growth. It is whether investors can identify which companies are converting AI spending into revenue, margin and cash-flow support. Microsoft's results helped answer that question positively: Azure revenue rose **43%**, Microsoft guided to continued cloud strength, and investors reacted favorably because the company showed that AI infrastructure spending can produce visible demand and cash-flow confidence.

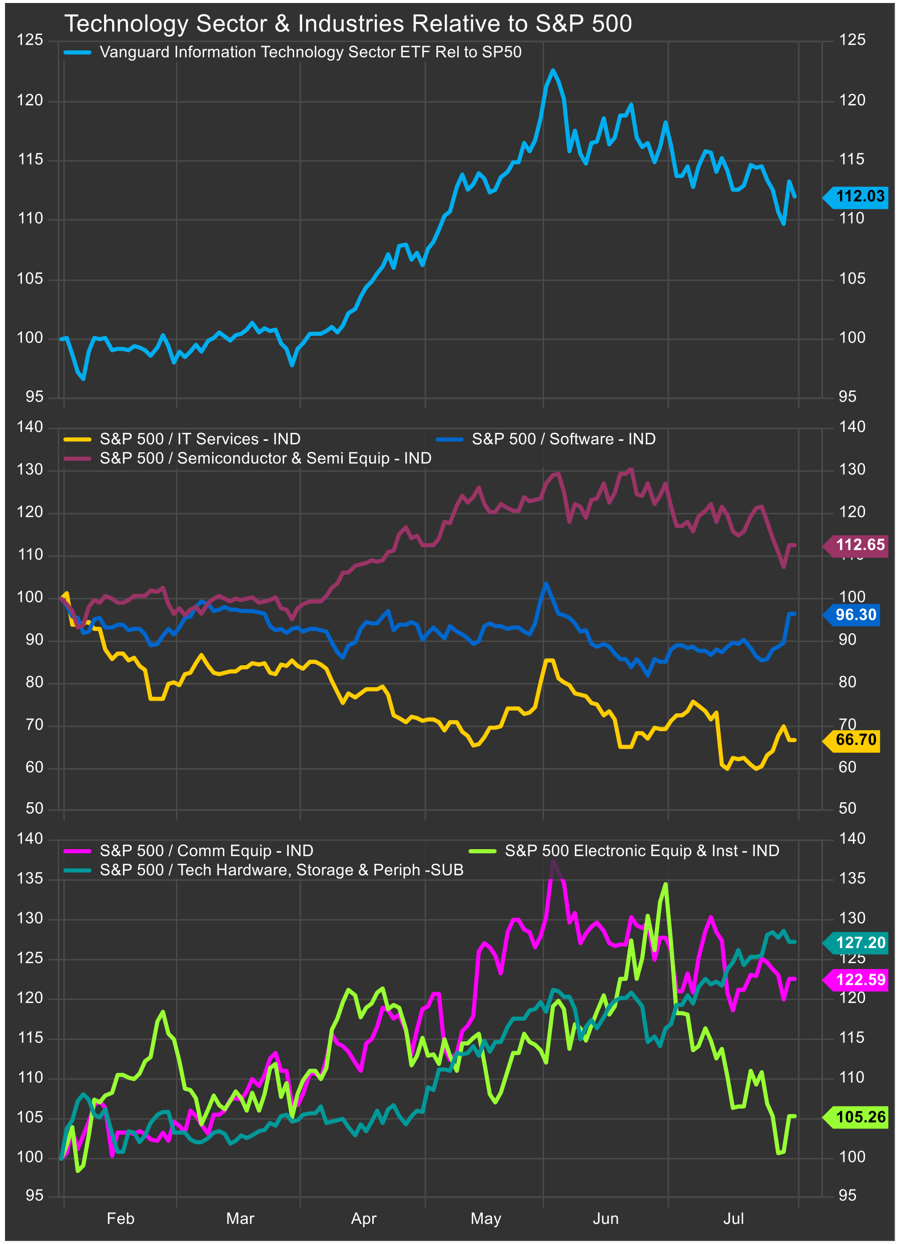
Amazon reinforces that point even though it sits in Consumer Discretionary. AWS revenue rose **37%** to **$42.2B**, AWS backlog rose to **$496B**, advertising revenue rose **26%**, and Amazon raised its annual capex plan to **$220B**. The positive market reaction shows that investors will tolerate large AI capex when demand and backlog are visible.

The risk is that not all AI spending is being rewarded equally. Reuters' analysis of Big Tech free-cash-flow pressure highlighted the widening debate around hyperscaler capex, while Alphabet's raised capex forecast and Meta's free-cash-flow pressure show why investors are distinguishing between AI monetization and AI spending.

Investment takeaway: Technology's fundamental leadership remains intact, but August performance will depend on proof. Companies that show AI-driven cloud growth, software monetization, margin resilience and cash-flow durability can lead. Companies that are simply crowded AI infrastructure winners remain vulnerable to further consolidation.

ETF	Price	1D	1W	1M	3M	6M	RSI	ETF
VOO	$741.69	+1.7%	+0.5%	-0.7%	+4.2%	+6.7%	49.2	VOO
VGT	$175.73	+5.5%	-1.5%	-7.8%	+10.4%	+17.8%	46.7	VGT

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



Indicator	Latest Reading	July Message	Investment Interpretation
Elev8 Information Technology score	**6**	Positive	Second-highest sector score behind Financials.
Elev8 Information Technology rank	**2 / 11**	Strong	Technology remains a core August overweight.
Elev8 pattern	**Consolidation**	Leadership reset	The sector is digesting prior AI hardware gains.
VGT benchmark weight	**35.9%**	Largest sector weight	Technology remains the dominant S&P 500 sector exposure.
VGT Elev8 weight	**40.4%**	Overweight	Portfolio keeps VGT materially above benchmark.
VGT active weight	**+4.4%**	Positive active exposure	One of the largest active overweights.
VGT 1M return	**-7.8%**	Pullback	AI hardware and semicap winners corrected.
VGT 3M return	**+10.4%**	Strong	Intermediate leadership remains intact.
VGT 6M return	**+17.8%**	Strong	Longer-term trend still supports exposure.
VGT RSI	**46.7**	Neutral / reset	Sector is no longer tactically overbought.
10Y real yield	**2.41%**	Valuation headwind	Higher real yields pressure long-duration growth.

Top 10 Stock Level Performers: Information Technology Sector

Symbol	Company	Sector	Industry	Pattern	1M Excess	Valuation Rel.	Momentum	Div Yield Rel.	Beta
CTSH	Cognizant Technology Solutions	Information Technology	IT Services	Downtrend	+39.9%	0.46	3.2	1.74	0.75
ACN	Accenture	Information Technology	IT Services	Downtrend	+33.5%	0.58	-4.4	2.83	0.93
WDAY	Workday	Information Technology	Software	Support	+29.9%	0.70	18.3	0.00	1.16
HPQ	HP	Information Technology	Technology Hardware, Storage & Peripherals	Consolidation	+23.2%	0.46	27.3	3.18	1.47
INTU	Intuit	Information Technology	Software	Downtrend	+22.2%	0.60	-13.1	1.06	0.54
MSFT	Microsoft	Information Technology	Software	Support	+21.7%	1.17	9.7	0.63	1.25
ADBE	Adobe	Information Technology	Software	Downtrend	+21.7%	0.49	0.5	0.00	1.13
ADSK	Autodesk	Information Technology	Software	Support	+21.6%	0.91	1.4	0.00	0.96
PTC	PTC	Information Technology	Software	Downtrend	+20.7%	0.81	0.4	0.00	1.00
IT	Gartner	Information Technology	IT Services	Downtrend	+18.7%	0.54	-1.6	0.00	1.26

The top 10 Technology list is a **software and IT services rebound list**, not an AI hardware momentum list. Cognizant, Accenture, Adobe, Intuit, PTC and Gartner are still classified as downtrends, while Workday, Microsoft, Autodesk and Roper are support patterns. That means July performance was driven by mean reversion and expectation repair, not by a clean new uptrend across the group.

The table also shows a valuation shift. Most of the top performers trade below or near the index valuation multiple. Investors were willing to buy Technology laggards where the market had already discounted AI disruption, slower enterprise spending or margin pressure. Microsoft is the exception because its rebound is tied to direct evidence of cloud and AI monetization.

Bottom 10 Stock Level Performers: Information Technology Sector

Symbol	Company	Sector	Industry	Pattern	1M Excess	Valuation Rel.	Momentum	Div Yield Rel.	Beta
GLW	Corning	Information Technology	Electronic Equipment, Instruments & Components	Uptrend	-46.3%	1.82	-19.7	0.62	1.05
SNDK	Sandisk	Information Technology	Technology Hardware, Storage & Peripherals	Uptrend	-42.9%	0.32	16.6	0.00	4.74
KLAC	KLA	Information Technology	Semiconductors & Semiconductor Equipment	Uptrend	-39.5%	1.68	-8.2	0.37	1.24
MRVL	Marvell Technology	Information Technology	Semiconductors & Semiconductor Equipment	Uptrend	-37.7%	1.85	17.4	0.09	2.57
COHR	Coherent	Information Technology	Electronic Equipment, Instruments & Components	Uptrend	-36.1%	1.47	-21.7	0.01	2.66
INTC	Intel	Information Technology	Semiconductors & Semiconductor Equipment	Uptrend	-34.0%	2.65	4.0	0.03	3.42
LRCX	Lam Research	Information Technology	Semiconductors & Semiconductor Equipment	Uptrend	-30.5%	1.61	0.9	0.29	1.96
FLEX	Flex	Information Technology	Electronic Equipment, Instruments & Components	Uptrend	-30.2%	1.06	14.3	0.00	2.19
AMAT	Applied Materials	Information Technology	Semiconductors & Semiconductor Equipment	Uptrend	-29.8%	1.65	12.6	0.26	1.33
TER	Teradyne	Information Technology	Semiconductors & Semiconductor Equipment	Uptrend	-23.7%	1.77	3.2	0.10	1.59

The bottom 10 table is the clearest evidence of **AI hardware profit-taking**. Every bottom-10 Technology stock is still in an uptrend, which is important. The market is not saying the AI infrastructure cycle is over. It is saying that the most crowded memory, optical, semicap equipment, component and hardware winners needed a reset.

Corning, Sandisk, KLA, Marvell, Coherent, Intel, Lam Research, Flex, Applied Materials and Teradyne all remain strategically tied to the AI supply chain. But their one-month excess returns show that leadership had become overextended. Reuters described the July chip pullback as a rotation out of the same high-flying AI-exposed stocks that powered the prior rally, driven by profit-taking and renewed scrutiny of AI capex sustainability.

Economic & Policy Drivers: Information Technology Sector

Software

Software is the most important improvement story inside Technology. The stock file shows strong performance from Workday, Microsoft, Intuit, Adobe, Autodesk, PTC and Roper. The industry's average one-month excess return was **+7.2%**, while its market-cap-weighted return was **+13.5%**, largely because Microsoft recovered sharply after its cloud and AI report.

The Microsoft read-through is central. Azure growth and management's ability to frame AI spending as cash-flow productive helped investors distinguish between AI monetization and AI capex risk. That makes software more attractive where AI supports usage growth, workflow productivity, pricing power or cloud consumption.

August read: preferred within Technology. Favor software where AI is improving cloud demand, productivity, usage-based revenue or enterprise workflow value.

IT Services

IT Services had the best average one-month excess return in Technology at **+14.5%**, but the quality of the move is mixed. Cognizant, Accenture, Gartner and GoDaddy are still classified as downtrends. This is a rebound from depressed expectations, not yet a durable leadership signal.

The group can continue to work if investors become more comfortable that AI will improve consulting productivity and margins rather than permanently compress services demand. However, the pattern profile argues for discipline.

August read: tactical recovery. Favor the rebound, but require follow-through before treating IT Services as a core leadership industry.

Semiconductors & Semiconductor Equipment

Semiconductors remain structurally important but tactically damaged. The industry posted a **-17.2%** average one-month excess return, and six of the bottom 10 Technology names came from semiconductors or semicap equipment. The key nuance is that **13 of 20** industry stocks are still in uptrends, so the long-term trend has not been invalidated.

Nvidia and Broadcom held up better than the average, which kept the market-cap-weighted loss smaller than the equal-weight loss. The most important weakness was in prior high-momentum winners such as KLA, Marvell, Lam Research, Intel, Applied Materials and Teradyne.

August read: watchlist, not fresh chase. Use earnings confirmation and price stabilization before adding aggressively to semis or semicap equipment.

Technology Hardware, Storage & Peripherals

Hardware is mixed. The industry's equal-weight return was negative because Sandisk was a major drag, but the market-cap-weighted return was strongly positive because Apple and HP helped offset memory/storage weakness. Apple's late-July earnings had strong historical quarter optics, but Reuters reported that the stock came under pressure after a weaker forecast and supply-constraint concerns tied to AI-driven component shortages.

HP's stock-level strength shows investors were willing to buy lower-valuation hardware with dividend support and improving momentum. But the Sandisk decline shows that memory/storage scarcity winners remain volatile.

August read: selective. Favor hardware where earnings visibility, valuation and demand are improving; avoid treating memory/storage as a low-risk continuation trade.

Electronic Equipment, Instruments & Components

This industry was one of the weakest areas in Technology. Corning, Coherent and Flex all appeared in the bottom 10, and the group's market-cap-weighted excess return was **-17.8%**. These stocks remain tied to optical components, electronic manufacturing, interconnect and AI infrastructure, but July price action shows that the component layer of the AI trade became too crowded.

August read: avoid fresh adds until momentum repairs. The long-term optical/component story is intact, but the near-term tape is weak.

Communications Equipment

Communications Equipment cooled after earlier strength. The group has exposure to data-center networking, enterprise infrastructure and telecom equipment, but one-month excess returns were negative. Cisco and Arista remain important watchlist names, but the industry lacks the confirmation seen in Software or IT Services.

August read: neutral. Favor only higher-quality networking names with strong earnings confirmation and avoid broad industry exposure until momentum improves.

What Shaped the Information Technology Narrative in July

July's Technology narrative was **AI leadership rotation**. The market sold prior AI hardware winners and bought software/services laggards. This is a healthier signal if it broadens Technology participation, but it also warns that the easy momentum phase in AI infrastructure is over.

The second narrative was **cloud validation**. Microsoft and Amazon both showed that AI infrastructure spending can produce visible cloud growth and backlog. Microsoft's Azure growth and Amazon's AWS acceleration reduce the risk that the AI story becomes only a cost and capex problem.

The third narrative was **hardware and component digestion**. The bottom 10 table shows that memory, optical, semicap equipment and electronic components became funding sources. That is normal after a powerful leadership run, but it requires patience before rebuilding exposure.

The fourth narrative was **real-rate pressure**. A hawkish Fed hold and elevated real yields keep the sector sensitive to valuation. Technology can outperform when earnings are strong, but multiple expansion is harder when real yields are restrictive.

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

- **ETFInsight / Myrtle Tree Investment Research** Macro Technical Model, July 30, 2026 — SPDR proxy data, macro regime index, growth/inflation/liquidity/risk pillars, breadth, credit, rates, commodities and volatility.
- **ETFInsight / Myrtle Tree Investment Research** Elev8 Model Positions, July 31, 2026 — Vanguard sector fund implementation weights, benchmark weights, active weights and sector selection scores.
- **FactSet** 20260731_SP50_Stock_Data.xlsx — Information Technology stock-level excess return, valuation multiple relative to index, momentum score, dividend-yield multiple, beta, industry and chart pattern.
- **FactSet** Alphabet Drives S&P 500 Earnings Growth to Highest Level Since 2021, July 27, 2026 — Q2 S&P 500 earnings growth, Information Technology earnings-growth leadership and Alphabet contribution.
- **FactSet** S&P 500 Earnings Season Update, July 24, 2026 — Q2 earnings scorecard, sector earnings growth, revenue growth, forward valuation and Information Technology revenue leadership.
- **Reuters** Microsoft Q2 / Azure earnings coverage, July 29–30, 2026 — Azure growth, AI capex validation, cloud backlog, free cash flow and mega-cap Technology sentiment.
- **Reuters** Amazon Q2 earnings coverage, July 30–31, 2026 — AWS revenue growth, advertising revenue, backlog, AI capex plan and cloud demand read-through.
- **Reuters** Chip stock pullback coverage, July 2026 — semiconductor selloff, AI trade crowding, leveraged-position risk and AI capex sustainability concerns.
- **Reuters** Alphabet capex / cloud earnings coverage, July 22, 2026 — Google Cloud growth, increased capex plan, AI spending and free-cash-flow concerns.
- **Reuters** Big Tech AI free-cash-flow analysis, July 2026 — hyperscaler capex pressure, operating-cash-flow comparison and AI spending discipline.
- **Reuters** Apple July earnings / supply-constraint coverage, July 31, 2026 — iPhone demand, component shortages, AI-driven memory constraints and hardware read-through.

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

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

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