

TECH-SECTOR: THE QUIET RALLY

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Recently, there has been much talk about the technology sector underperforming relative to the rest of the bull market. Many investors seem to be asking the same question: “When are tech stocks going to start performing like you’ve been predicting? They haven’t done anything!”

While a charging S&P 500 has returned an impressive 19.8% over the last 12 months ending June 8th, the S&P 500 Info Tech index returned an even better 24.3% in the same period. Even though this sector is 61% below its all-time high in March of 2000, the rebound is already underway.

As the current rally continues to spread into Q2, the technology sector is quietly posting impressive double-digit gains. Even more, returns for several industry leaders have been even better: (see chart and below)

RIMM +157.2%	AAPL + 109.9%
MSFT + 37.4%	CSCO + 32.5%
INTC + 27.9%	HPQ + 53.4%
IBM + 33.1%	GOOG + 33.2%

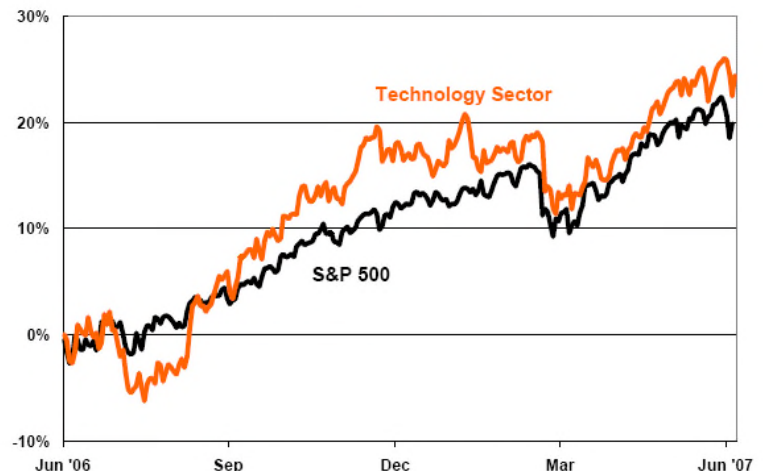
Admittedly, there have been some laggards as well (specifically DELL, AMD, MOT) but the majority of this sector is exhibiting excellent strength for the first time in years. Looking forward, it looks as though industry conditions will continue to improve as innovation, new ideas, and cost-cutting techniques abound.

Market indicators are also smiling upon the technology sector. Upon the release of the April 16th Industrial Production report from the Federal Reserve (5/16 Data Watch) our economists

noted: “The production of high-tech equipment grew 2.6% in April and is up 21.6% versus a year ago.”

The technology boom certainly appears to be picking up again as high-tech equipment production shifts into high gear and consumer demand stays strong. Keen investors should keep close watch on this sector as the fundamentals are poised for continued gains.

S&P 500 vs. Technology Sector



Source: Bloomberg

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