Technology Stocks Continue to Deliver Strong Returns for Investors

View from the Observation Deck

1. From 3/9/09-3/18/19 (current bull market), all four of the technology-related indices featured in the chart outperformed the S&P 500 Index.

2. As of 3/18/19, Information Technology accounted for approximately 21.00% of the S&P 500 Index, up from 17.84% on 3/9/09, according to Bloomberg and Bespoke Investment Group. It is the most heavily weighted sector in the index, followed by Health Care at approximately 14.70%. For comparative purposes, Information Technology held a weighting of 29.18% at the close of 1999, just prior to the bursting of the tech bubble in March 2000.

3. The average annualized total returns shown in the chart are as follows: ISE Cloud Computing Index (28.79%); Dow Jones Internet Composite Index (27.54%); Philadelphia Semiconductor Index (24.02%); S&P 500 Information Technology Index (22.11%); and S&P 500 Index (17.79%), according to Bloomberg.

4. Year-to-date through 3/18/19, the S&P 500 Information Technology Index posted a total return of 18.69%, compared to 13.53% for the S&P 500 Index, according to Bloomberg. It was the top-performing sector index, followed by the S&P 500 Energy Index, up 16.93%.

5. While cloud computing has performed exceptionally well in the current decade-long bull market, Gartner believes we are in the early stages of the second decade of cloud computing, according to Dataquest. Cloud is being adopted for such benefits as instantaneous availability of compute resources, scalability, and pay-as-you-go.

6. International Data Corporation’s (IDC) Worldwide Quarterly Cloud IT Infrastructure Tracker reported that vendor revenue from sales of infrastructure products (server, storage and Ethernet switch) for cloud IT grew 47.2% year-over-year to $16.8 billion in Q3’18, according to its own release. IDC notes that Q3’18 marked the first time that vendor revenues from infrastructure product sales into cloud environments topped revenues from sales into traditional IT environments.

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