

## Spotlight: What Lies Ahead For The Current Tech Rally?

[QQQE](#)

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As investors have been fleeing the financial sector, and a lagging market more broadly, traders have seen a rush into tech stocks that's driven a massive rally. The NASDAQ-100® Index\* is up almost 39.74% as of Friday June 30th and some say the rally isn't over yet. Here's what traders could be watching out for in the tech sector.

### TECH MAY KEEP RUNNING ON EASING MACROECONOMIC CONDITIONS

As tech stocks remain high, some traders are growing wary that the rally could be nearing its end. But the next few months still may hold a lot of potential for the sector. Macroeconomic tides could shift in tech's favor if the Fed continues its rate pause in July.

If interest rates level out and, ultimately, head toward a decline, that could potentially bolster confidence in the tech sector, which relies on borrowing to finance its growth.

### BUT MEGA-CAPS COULD STRUGGLE TO KEEP UP MOMENTUM

Investors fled to mega-caps like **Apple**, **Microsoft** and **Amazon** as potential safe havens from a turbulent banking sector and sluggish market. But bullish growth is generally hard to sustain for mega-caps, especially as they compete against each other to take the lead in AI and cloud computing, two of the biggest growth opportunities in tech right now.

As it becomes harder and harder for mega-cap stocks to generate further growth, the companies may also face headwinds across their existing revenue drivers. Global smartphone shipments fell 13% through Q1, this year, according to Canalys Research. The decline in demand hasn't seemingly been felt too sharply by Apple or other smartphone leaders just yet, but the hit could potentially come soon as midrange devices begin to capture market share from Apple and Samsung.

### WILL SMALL-CAP TECH STOCKS PICK UP THE SLACK?

While mega-caps drove much of the current rally, small-cap techs have potential to gain from the easing macroeconomic conditions that may start lifting stocks in the coming months. If interest rates decline, it could help small-cap tech companies that are still very much in the growth phase and dependent on cheaper borrowing to finance that growth, for example.

Smaller tech companies are already reaping some of the benefits of mega-cap growth struggles by scooping up talent in the fallout of the big tech layoffs at the start of the year. According to the Wall Street Journal, job listings from tech startups spiked 15% through Q1, at the same time that Facebook, Amazon, and other big tech announced widespread layoffs. No small share of those new jobs is being filled by the very workers who were laid off by big tech.

The cost savings from the layoffs may have delivered a temporary boost to big tech share prices, but the long-term hit to productivity and morale among the remaining employees could handicap future growth for companies that may be already too big to generate exciting growth. As the AI arms race and competition in other emerging technologies heat up, small caps armed with this new talent could potentially carve out the edge they need to become a serious contender for market share.

### CONSIDER DIREXION'S NASDAQ-100 EQUAL-WEIGHTED INDEX SHARES

The [Direxion NASDAQ-100 Equal Weighted Index Shares \(QQQE\)](#) seeks investment results, before fees and expenses, that tracks the NASDAQ 100 Equal Weighted TR Index (NETR), which includes the top 100 largest NASDAQ-listed non-financial companies by market capitalization.

Investing in this ETF gives traders the opportunity for more diversified exposure to the tech sector so that a handful of large-cap stocks can't drag down the entire index as dramatically as can happen in market-cap-weighted indexes.

The index is rebalanced quarterly to maintain consistent equal weightage, so it maintains broader exposure to the entire NASDAQ-100, regardless of market capitalization.

For traders anticipating a tech rally less dominated by mega caps, it's a potentially useful way to turn those assumptions into actionable trades. It can also be a handy way to seek to diversify your trading strategy across a broader selection of tech stocks and help avoid the concentration that's happening in some market-cap-weighted indexes.

[Click here](#) for a full list of the fund's holdings.

*\*Definitions*

*The NASDAQ 100® Equal Weighted Index (NETR) is the equal weighted version of the NASDAQ-100 Index® which includes 100 of the largest domestic and international non-financial securities listed on NASDAQ® Stock Market based on market capitalization. Equal weighting is a method of weighting index stocks whereby the same exposure is provided to both the smallest and largest companies included in the Index. The Index is rebalanced quarterly and reconstituted annually. One cannot directly invest in an index.*

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