Section (A)  Sector Performance Review

(A-1) Sector Performance Relative to SP500

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Current Price</th>
<th>Beg. Price</th>
<th>Stop-loss Price</th>
<th>Target Price</th>
<th>% Capital Gain</th>
<th># Shares</th>
<th>Current Value</th>
<th>vs. Sector</th>
<th>vs. S&amp;P 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500</td>
<td>$185.09</td>
<td>$186.25</td>
<td>$186.25</td>
<td>$186.25</td>
<td>1.07%</td>
<td>12180</td>
<td>$431,565.60</td>
<td>-1.65%</td>
<td></td>
</tr>
<tr>
<td>Sector ETF</td>
<td>XLK</td>
<td>$35.92</td>
<td>$35.95</td>
<td></td>
<td>-0.08%</td>
<td>12180</td>
<td>$431,565.60</td>
<td>-1.65%</td>
<td></td>
</tr>
</tbody>
</table>

One-month price chart

The technology sector’s performance was not doing well in a one-month period compare to the broad market. It underperformed to SP500 by 1.65% during the review period.

As you can see on the graph, the sector has consistent to decrease since March 4 and reach the bottom on March 14. This was due to the unclear economic outlook of the emerging markets, especially China. China faced a lot of issues in 2014, such as a huge amount of local government debt and housing bubbles, these issues were very likely to trigger a financial crisis. And its PMI touched a six-month low of 49.5 in January, which increased the concern of the “hard landing” in
2014. It was also due to the Ukraine’s risk, which could increase the uncertain of the energy market.

After a huge drop, the market started to recover and reached the peak on March 20. This was due to the positive economic data during the period; the jobless benefits went back to the pre-recession level and a surprise increase figure on US industrial production output.

Interest rates were rising sharply after the Federal Reserve's March 2014 FOMC meeting, where market stock start to struggle again. On March 30, the S&P 500 reached the highest point in the history. This was due to a positive report on hiring, which sign that the economy is walking out from the winter slump. And after that there was a -1.23% correction, causing by a momentum stock drop.

**Noteworthy news**

03/16/2014 Alibaba group is going to go public in the US; the IPO is able to raise more 15 billion dollars. It could be a bigger deal than Facebook, and the offering will come on the third quarter.

03/26/2014 Facebook acquire Oculus by 2 billion on March 26, the company make virtual reality goggles. Facebook’s CEO explained, “mobile is the platform of today, and we are also getting ready for the platforms of tomorrow”.

03/25/2014 The IRS rules Bitcoin will taxes as property, not as currency.

**(A-2) Big Sector Movers**

**First Solar, Inc +22.34%**

**Frontier Communications Corporation +16.12%**
As you can see, the stock went up 5.1% on March 17. This was due to its announcement of the completion of its Japanese power plant in Kitakyushu-shi. Powered by First Solar FS Series 3 Black PV modules, the plant will generate approximately 1,400 MWh of clean and safe solar electricity per year. Power from the project will be purchased by Kyushu Electric Power.
Company. (Finance.Yahoo) And First Solar Inc. hold 100% equity in this project, which is able to strength First Solar Inc. performance in the future.

There were couple event causes Frontier Communication Corporation has a consistent increase since March 13. On March 17, Frontier Communication introduced a cloud-based voice solution, Anyware. This is a low, monthly subscription-based price give customer’s access to a flexible and scalable service that grows with their business, which is able to give customers the option of reducing the upfront cost of buying phones. According to Vice President of Frontier’s Customer Premise Equipment Sales, Anyware is a natural expansion of Frontier’s portfolio of advance networking solution. (Business wire) On March 20, Frontier Communications was gaining 2% to $5.34 following the announcement of an expanded partnership with Crius Energy Trust. This extension of the partnership between Crius Energy offering solar power in Frontier territories strengthens an already successful relationship and expands the service offerings and geographic reach of Crius Energy."(The street) On March 31, Frontier stock price reach the peak, this is because Frontier Communications announced a partnership between its Frontier Secure business unit and Dropcam Inc. This partnership is able to enhance the broadband experience, cloud-based backup & sharing, proactive identity protection, 100% U.S.-based Premium Technical Support and digital device security. (Business wire)

Red Hat beat the Wall Street’s fourth-quarter estimates, however, the weak guidance was causing Red hat off 4.72% on March 28. Red Hat expects revenue between $412 million and $415 million and earnings, excluding items, between 32 cents and 33 cents a share, below Wall Street's forecast of $415.44 million and 38 cents a share. Red Hat also forecast a non-GAAP operating margin of 21%, down from 24.3% in the fourth quarter. (The street)

On March 26, Facebook closed down 6.9% to $60.38, a day after it announced that it was purchasing virtual reality game maker Oculus VR in a $2 billion deal. Investors have initially responded negatively to that vision, Facebook is not done innovating. (The street)

Both big losers were momentum stocks, a month ago, investors were paying sky-high premiums for companies that make no money now but have huge growth prospects, but those premiums were falling fast. Investors clearly want to own companies with strong fundamentals right now. (Seeking alpha)

**Two largest sector gainers and losers**

**Electronic Arts Inc. +26.1%**
What might have contributed to big price moves in the period examined (recent 3 month) for each of the named gainers/losers?

On January 17, EA’s stock price increased 12%, this was due a report from NPD group which show EA has a huge sales in December 2013. According to the report, EA’s Battlefield 4 was the second bestselling video game of the month. It also shows that EA had three games in the top 10 last month: "Battlefield 4," "Madden NFL 25" and "FIFA 14." EA had 30% market share for Xbox One games sold in December and 40% for PS4 games. Overall, the reason why the stock up going up is because EA has a pretty good looking financial report and because during this period people are crazy about this stock. On January 28, EA released its third quarter financial result for 2013, through the revenue miss the Wall Street estimate but the stock still went up on that day. The reason why the stock price starts to drop on March 20 is because people start to realize EA is overpriced.

On January 7, LIR Systems’ stock price went up 3%, this is due to the announcement of the launch of FLIR ONETM, the first consumer-oriented thermal imaging system. FLIR ONE attaches to any Apple iPhone 5 or 5s* smartphone and displays a live thermal image on the phone’s screen, giving users the unprecedented ability to see the world in a way the naked eye cannot, including in complete darkness. FLIR® thermal imaging technology has revolutionized the way the world thinks about security, public safety, energy efficiency, nighttime navigation, industrial production, and preventive maintenance. (Market wire)

On March 17, VRSN’s stock price off 7.7%. Shares of internet infrastructure service provider Verisign (VRSN) are falling after a government regulatory body said it plans to transition the role it plays in the coordination of the Internet’s domain name system, or DNS. NTIA said it plans to relinquish oversight of the Internet Corporation for Assigned Names and Numbers, or ICANN, a key body that manages domain names and addresses for the internet. On February 6, VeriSign Inc.’s stock slid nearly 6 percent Friday amid concerns that the Web domain-name registration company's profit margins may be narrowing. (The street)
On January 28, yahoo’s stock price downed 8.7%. This is due to its fourth quarter earnings. Net revenue decrease 2% compare to last year and its core display ad revenue continued to suffer and decreased by 6%. Also investors worry about Alibaba’s earnings is going to slow down. (USA today) From March 13 to March 18, yahoo’s stock price went up 6%. This is due to the fact that yahoo is bring Yelp’s reviews, business information and start ratings to yahoo search , when you use yahoo search to look up a local business you will able to see users reviews .

(A-3) Two Largest Stocks in the Sector

**Apple Inc. +0.11%**

![Apple Inc. Stock Chart](image)

**Microsoft Corporation +3.8%**

![Microsoft Corporation Stock Chart](image)

Highlight noteworthy news, announcements, or events relevant to the two stocks.

Apple reports its second-quarter earnings on April 23, after market close.

Microsoft launched Office for iPad.

(A-4) Short-term (up to Three Months) Outlook of the Sector
I think the economy is not fully recovered because the job market numbers are not very convincing. However, it is unlikely that the market will go back to recession. So I believe in long return the technology sector will still have upward potential because the economy is just passed the bottom of the business cycle. For the short run, however, I think the sector will still have corrections because many companies are overpriced. In term of the degree of correction, it is depend on the next earning release.
Work cited


http://www.thestreet.com/story/12537144/1/why-frontier-communications-ftr-is-up-today.html?puc=yahoo&cm_ven=YAHOO

