

US tech stocks struggle for safe haven appeal in Iran market fallout

By Lewis Krauskopf

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The Wall Street sign is pictured at the New York Stock Exchange in the Manhattan borough of New York City, New York, U.S., March 9, 2020. REUTERS/Carlo Allegri/File Photo [Purchase Licensing Rights](#)

Summary Companies

Tech sector, Magnificent Seven stocks deepen woes since start of war

S&P 500 set to wrap up worst quarter since 2022

Higher yields, AI issues among tech pressure points

Earnings prospects still a strength, valuations look more enticing

NEW YORK, March 31 (Reuters) - Technology shares are struggling to act as safe havens in the turbulence wrought by the Iran conflict -- and that could be a big problem for the broader U.S. stock market.

Tech and other megacap tech-related stocks have led U.S. equity indexes higher during much of a bull run that has lasted more than three years, with investors flocking to these massive companies known for their strong earnings, solid balance sheets and competitive business advantages.

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But the group, which already had been slipping in the weeks heading into the Middle East crisis, has largely deepened those declines since the conflict started a month ago.

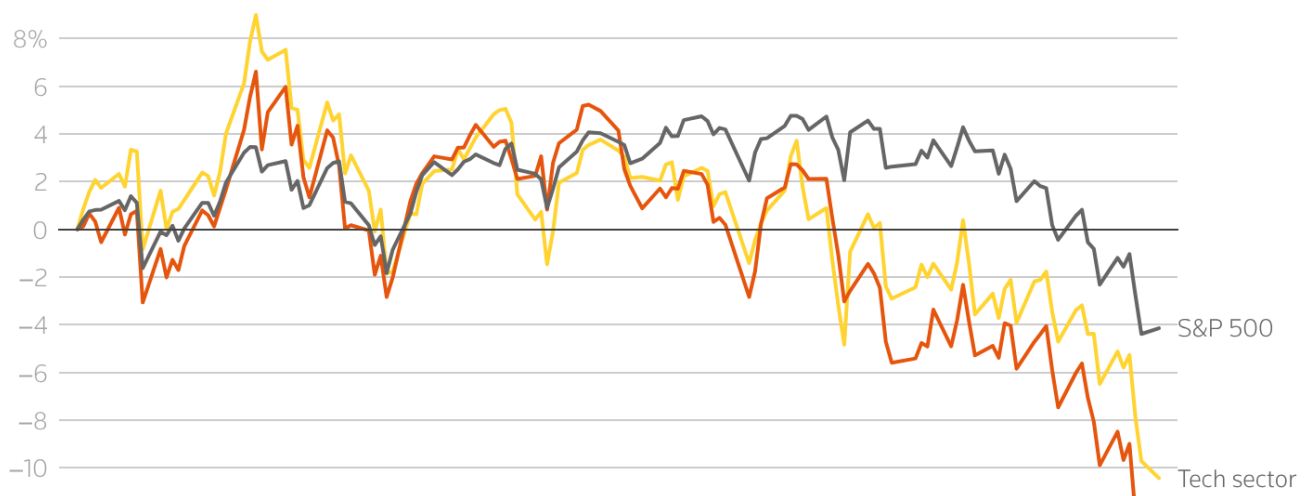
"Everything is getting hit in this environment, and tech is no exception," said Angelo Kourkafas, senior global investment strategist at Edward Jones.

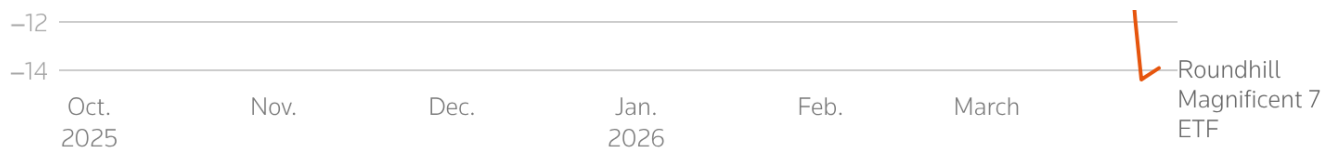
Tech weakness has been a hallmark of a rough first quarter for U.S. equities that is wrapping up on Tuesday. The benchmark S&P 500 ([.SPX](#)) is on track for its worst quarterly performance in about four years.

Since the war began, the S&P 500's tech sector ([.SPLRCT](#)) has slumped nearly 8%, in line with the drop for the broader index. Some megacap stocks, including Meta Platforms ([META.O](#)) and Alphabet ([GOOGL.O](#)), have seen far steeper declines. The Nasdaq Composite ([.IXIC](#)), which is dominated by tech and related shares, last week finished down more than 10% from its October all-time high, which showed it is now in a technical correction.

Tech troubles

S&P 500 tech sector and the megacap Magnificent 7 group have lagged over the past six months





Note: Data as of March 30, 2026

Source: LSEG | Lewis Krauskopf

Six month performance of S&P 500, tech sector and Roundhill Magnificent 7 ETF

CASHING IN, INDUSTRY WOES, RISING YIELDS

Analysts point to a number of factors that could be contributing to tech's woes. As investors seek to limit their equity risk, they might be cashing in on some of their bigger winners of the bull market, including highly liquid tech names.

"They had a great run for three years," said Walter Todd, chief investment officer at Greenwood Capital in South Carolina. "Maybe people are taking a little risk off of those names, where they made the most money."

Rising Treasury yields, driven up by inflationary concerns stemming from the war, tend to weigh on stock valuations, often most acutely on tech stocks that are valued heavily on their expected future profits.

A wave of industry-specific issues is also hurting the shares. Concerns about business upheaval from artificial-intelligence applications have swamped a range of companies. Massive spending by tech giants on data centers may be undermining the case for their stocks to be considered safe havens. And just last week, Meta and Alphabet lost a landmark legal case related to harms by social media platforms, presenting a new risk.

Two months into the Iran war, and the feds, still on the sidelines, are waiting—the riskiest strategy of all.

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As different factors "pile onto one another ... it just makes it a harder place to want to put money to work," said Matt Orton, chief market strategist at Raymond James Investment Management.

"Because of the dominance and the success of the megacaps over the past few years, I think they became the first and easiest source of cash for investors," Orton said. "You just have this perfect storm that is providing headwinds for megacap tech and tech, broadly speaking."

Because of their outsized gains over time, these tech names hold huge weightings in key indexes such as the S&P 500 and Nasdaq. Even with its recent slide, the tech sector accounts for about one-third of the S&P 500's weight. The "Magnificent Seven" group, which includes semiconductor giant Nvidia ([NVDA.O](#)) , Apple ([AAPL.O](#)) and Amazon ([AMZN.O](#)) , also was about one-third of the S&P 500's total market capitalization as of Friday.

Such "concentration risk" means those stocks continue to influence the broader market's direction.

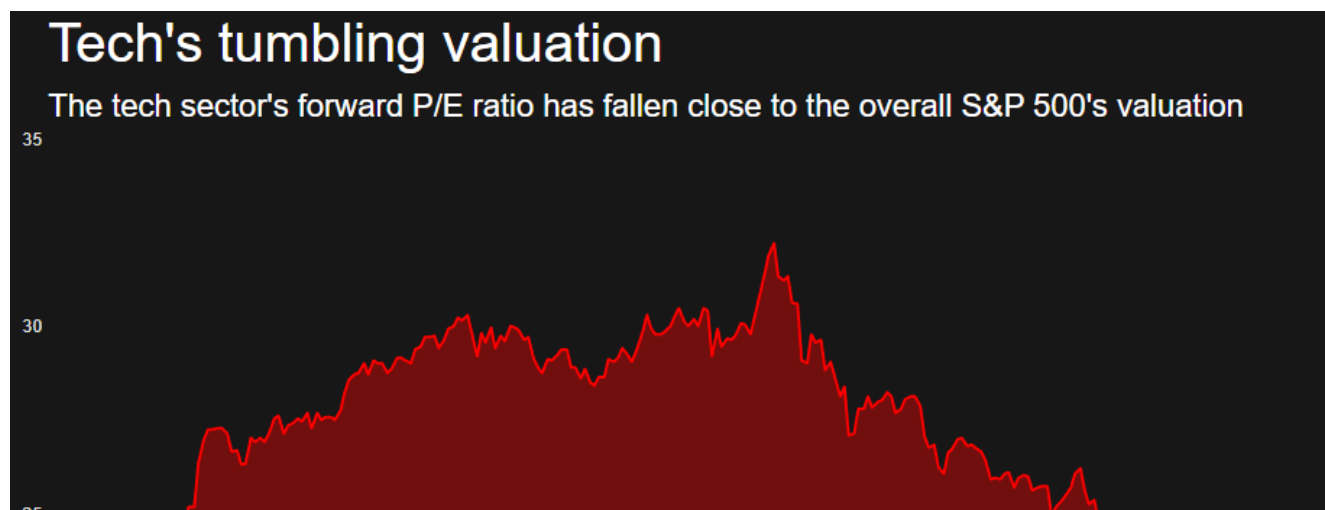
"Until these big tech names are able to find some sort of stability in the market, it becomes almost impossible for the broader market to also find its footing," Orton said.

TECH STILL HAS APPEAL, AS VALUATIONS FALL

Tech and megacap companies broadly have rosy profit outlooks. The tech sector is expected to post earnings growth of 43% in 2026, against an 18.8% increase for the overall S&P 500, according to LSEG IBES.

That earnings strength will be especially attractive if high energy prices resulting from the Iran war hurt U.S. economic growth broadly, said King Lip, chief strategist at BakerAvenue Wealth Management.

"Investors will be hungry for earnings growth in a low-growth market," Lip said.





The tech sector's forward P/E ratio has fallen close to the overall S&P 500's valuation

Tech's slide has also made its valuations more enticing. The tech sector's price-to-earnings ratio, based on earnings estimates for the next 12 months, has fallen from 32 in late October to 20 as of Friday, according to LSEG Datastream.

The overall S&P 500's P/E ratio stood just slightly lower, at 19.3 times. The tech sector's P/E ratio was threatening to fall below the broader market's valuation for the first time since 2017.

Some of the market's leaders were trading at cheaper levels. Nvidia, which has been the bellwether stock of the AI boom, was trading at just over 19 times forward earnings, its lowest P/E ratio since 2019, according to Datastream. Meta shares were last trading at 17 times, their lowest level in three years.

"The risk-reward is improving," said Chris Galipeau, senior market strategist at Franklin Templeton. "As stock prices come down, the risk in owning them is also coming down."

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