

# Software Companies May Have to Rewrite Their Future

Recent sharp declines in software stocks have inspired dramatic labels such as “SaaSocalypse” and “SaaSageddon.” Reminiscent of the recent “DeepSeek” episode for AI stocks, software companies are now being challenged for their assumed invincibility. The SaaS model—where companies deliver, scale, and maintain software over the cloud—has historically commanded premium valuations due to the highly visible, recurring nature of revenues.

Advances in generative AI, however, are raising questions about barriers to entry. AI tools, including those launched by companies such as Anthropic, are shrinking the bridge from idea to execution for new entrants. As software engineering becomes more automated, startups may be able to build competing products faster and with fewer resources, challenging the moats of established software companies and pressuring valuations.

The slowdown in software was already taking shape even before the latest AI developments. Seat growth—a leading indicator of revenue—had begun to moderate alongside hiring trends across the industry. Skepticism toward the sector is therefore understandable.

Still, the market’s blanket negative reaction may be a stretch. Choosing enterprise software involves reliability, customization, security, compliance, and integration—factors that make switching providers slow and risky for large organizations. Consistent with that view, earnings estimates for many software companies have continued to rise despite the sharp drawdown in their stocks. The current environment may create opportunities for companies that successfully evolve alongside AI.

**Software & Services [S&P 500 Index]  
Earnings Per Share Estimates**

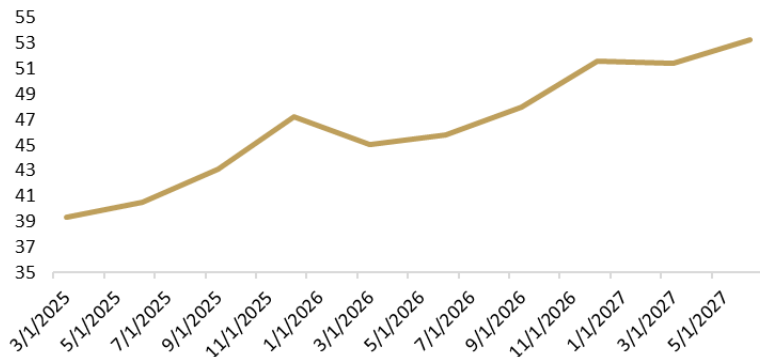


Chart source: Bloomberg

## Economy

Last Week	This Week
- ISM Manufacturing (Feb): 3/2 52.4 vs. prior month 52.6	- CPI (Feb): 3/11
- ISM Services (Feb): 3/4 56.1 vs. prior month 53.8	- PCE Price Index (Jan): 3/13
- Retail Sales (Jan): 3/6 -0.2% vs. prior 0.0%	- GDP (Q4 2025): 3/13
- Payrolls & Unemployment (Feb): 3/6 -92k vs. prior 130k	- U. of Michigan Sentiment (Mar): 3/13

## Equities

Index	Level	Returns (%)					
		1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	6796	-1.21	-0.51	-0.51	19.25	22.29	13.32
Russell 1000 Growth	4552	0.15	-4.36	-4.36	20.06	27.16	14.60
Russell 1000 Value	2148	-2.86	4.02	4.02	17.57	16.15	9.96
FTSE High Dividend Yield*	552	-2.48	5.39	5.39	18.31	16.92	11.88
S&P Small and Mid Cap	19114	-4.30	4.38	4.38	17.37	12.92	6.39
MSCI EAFE	2919	-5.93	1.17	1.17	20.67	16.14	9.24
MSCI EM	1455	-8.26	3.74	3.74	32.38	18.35	4.82

### Characteristics

Index	NTM P/E	NTM P/E (20Y med)	Div Yield	S&P Sector Returns YTD																	
				Energy	Materials	Industrials	Staples	Utilities	Real Estate	Health Care	Comm. Serv.	IT	Cons. Discr.	Financials							
S&P 500	18.7	15.7	1.3	30																	
Russell 1000 Growth	22.2	18.1	0.6	20																	
Russell 1000 Value	15.9	13.6	2.0	10																	
FTSE High Dividend Yield*	13.9	13.1	3.7	0																	
S&P Small and Mid Cap	13.9	15.4	1.8	-10																	
MSCI EAFE	14.5	13.5	3.1																		
MSCI EM	12.3	11.2	2.4																		

\* Bloomberg U.S. Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

## Fixed Income

Index	Yield	Returns (%)					
		1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.32	-0.25	1.05	1.05	6.15	4.52	0.42
U.S. Int. Gov/Credit	3.94	-0.19	0.69	0.69	5.85	5.01	1.41
U.S. Corporates	4.87	-0.20	0.84	0.84	6.62	5.80	0.98
High Yield	6.98	-0.36	0.24	0.24	7.00	9.46	4.48
Municipals (1-10)	2.78	-0.47	1.25	1.25	5.01	3.72	1.50

Key Rates	Last	1 Wk Ago	Levels (%)				
			Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	3.54	3.51	3.48	3.48	3.95	4.87	0.16
10-yr Treasury	4.10	4.06	4.17	4.17	4.28	3.91	1.52
30-yr Treasury	4.72	4.71	4.85	4.85	4.60	3.85	2.24
SOFR	3.65	3.70	3.87	3.87	4.32	4.55	
6-mo. CD rate	3.78	3.74	3.62	3.62	4.23	5.52	0.21
Prime Rate	6.75	6.75	6.75	6.75	7.50	7.75	3.25
30-yr fixed mortgage	6.13	6.11	6.25	6.25	6.75	7.05	3.21

Data as of 4:45 PM ET, March 10, 2026. Returns through March 10, 2026.

