

Apple Inc.

10:22 17 Jul 2020

'Tera-caps' Apple, Microsoft, Amazon and Alphabet will continue to get bigger and bigger

Ahead of their earnings reports next two weeks, any investors who think they might have missed out on investing in the world's four biggest companies, Apple (NASDAQ:AAPL), Microsoft (NASDAQ:MSFT), Amazon (NASDAQ:AMZN) and Alphabet (NASDAQ:GOOG), should think again, analysts reckon.

In the first half of 2020, the average outperformance by three largest companies, Apple, Microsoft and Amazon, was 45%, which is the highest ever time on record that the three largest companies have outperformed the rest of the market over two quarters.

Furthermore, it was noted by equity strategist Jonathan Stubbs, the outperformance versus the next 22 largest global stocks has been just as remarkable, up 47% and conditions continue to remain supportive.

The ranks of the US\$1trn club of 'tera-caps' has since been swelled by the addition of Google parent Alphabet, with the combined market cap around US\$6trn, which is larger than Japan's entire equity market, the world's second-largest.

Each of the tera-caps has a "compelling history" of innovation, having also stood on the shoulders of giants of science and industry to further leverage technology, geography, people, ideas and the ongoing digital revolution, while also benefitting from record low tax, interest rates and bucketfuls of liquidity from central banks since the global financial crisis in 2008/09.

While the historical growth and returns have been remarkable - Stubbs said against the pandemic backdrop, tera-cap returns have been the most remarkable yet.

While the COVID-19 crisis marked the end of the post-2008/09 bull market and historically this might be expected to see a 'baton pass' in equity markets at the end of a cycle, this has not be the case for these 'whatever weather winners'.

While the eye-popping gains for many parts of the financial market, especially among large technology stocks within equity markets, have left many investors concerned about bubble risk, Stubbs acknowledged.

"Equity bubbles tend to form against a backdrop of excess growth and excess liquidity," he said, and "tend to have a strong narrative".

The analyst said there did seem to be "key preconditions for an equity bubble over the coming 12-18 months: money for nothing, excess liquidity from authorities and elevated firepower on the sidelines.

"With attractive fundamentals, it is quite plausible that tera-caps (and the broader technology sector) could retain their leadership role in this extraordinary period for equity markets."

Price: 115.04

Market Cap: \$1.97 trillion

1 Year Share Price Graph



October 2019 April 2020 October 2020

Share Information

Code: AAPL

Listing: NASDAQ

52 week High Low
137.98 53.1575

Sector: Hardware & electrical equipment

Website: www.apple.com

Company Synopsis:

Apple Inc. designs, manufactures, and markets personal computers, mobile communication devices, and portable digital music and video players, and sells a variety of related software, services, peripherals, and networking solutions.

action@proactiveinvestors.com

Strategists at UBS noted that investing in high-quality stocks, rather than searching for 'value' or 'growth' shares, remains "paramount in this environment".

"To us, it is still not time change the focus to valuations," said Joao Toniato and Nick Nelson at the Swiss bank. "Especially after the market bounce back of the last few months."

The UBS pair pointed out that high-quality stocks, such as those with low leverage, low-Beta, high return-on-equity, usually outperform in a crisis downturn, but observed "this time many high quality names continued to outperform as the market recovered (unlike in most previous crises)".

Running the numbers suggested that some of the crisis 'rotation' has already happened "and the opportunity for low quality stocks to enjoy a period of outperformance as a 'rising tide lifts all boats' might have passed".

As a result, this "points us in the direction of quality", Toniato and Nelson said, with technology being one of the key stocks offering the necessary conditions.

Many UK investors are already involved in the tera-caps, according to research from broker Interactive Investor.

This revealed that Apple, Microsoft, Amazon, as well as Tesla (NASDAQ:TSLA), which also reports results next week, and Zoom Video (NASDAQ:ZM) and Facebook (NASDAQ:FB), are most popular among older investors.

These names appearing with the top 10 US stock bestseller list in the 45-54, 55-64 and 65-plus age categories.

Not everyone is of the same opinion, of course.

Clem Chambers, CEO of stocks, shares and crypto website ADVFN, believes the Nasdaq index, powered by this tera-cap quartet, "is on its final run" and the vertical spike is "a classic end of bubble move".

He warned: "Unless this bubble is cut down by the Fed, the final move will be large and quick. You can refer to the dotcom crash for the general shape of what looks possible next."

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts, journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.