Amazon

'Big Tech' smashes analysts' forecasts

Alphabet, Amazon, Microsoft and Twitter move sharply higher on 'Super Thursday'

The Nasdaq has rallied 23.1 per cent in 2017 © AP

8 HOURS AGO by Robin Wigglesworth, Eric Platt and Joe Rennison in New York

"Big Tech" thumped investor expectations on earnings' "Super Thursday", sending the shares of Alphabet, Amazon and Twitter sharply higher, lifting Microsoft's overall market value to above its 1999 high, and providing another boost to US equities.

Shares in Alphabet, the parent company of Google, rose 3 per cent in after-market trading to smash past the $1,000 per stock mark again, while Microsoft climbed 3.6 per cent to a record $82.18 per share after earnings beat estimates.

That gave Microsoft a market capitalisation of nearly $630bn — surpassing the record touched at the peak of the dotcom bubble.

But Amazon was the biggest winner on the day, jumping nearly 8 per cent to trade above

$1,000 again in after-hours trading on Thursday after the online retailing giant run by Jeff Bezos smashed analysts' forecasts.

Chipmaker Intel also beat predictions, nudging its shares higher, and earlier on Thursday Twitter released unexpectedly good results, lifting the social media site's shares 18.5 per cent higher on the day.

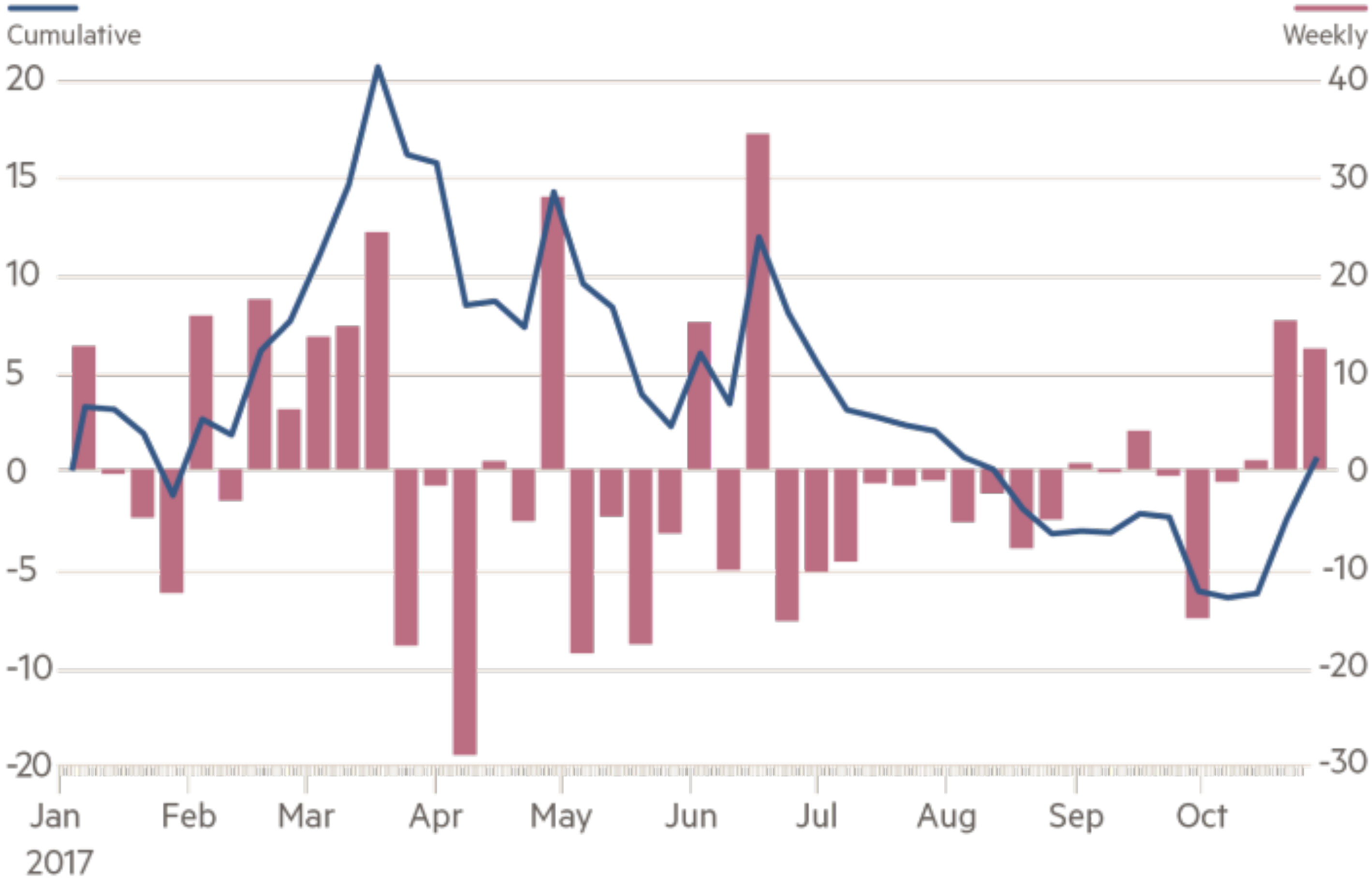
Investors have turned increasingly bullish on the prospects of US stocks, pumping more than $14bn into the asset class over the last three weeks, according to the latest data from EPFR. It is the longest string of inflows for US stock funds since the first quarter and pulled cumulative flows for the asset class back into positive territory for the year.

The batch of tech earnings results had been billed as "Super Thursday" by analysts both because of how big each of the companies are — the combined market capitalisation of Alphabet, Amazon, Twitter, Microsoft and Intel is more than $2tn — and because technology stocks have been a major driver of the stock market this year.

"There has been some sensitivity over whether these stocks could continue to beat earnings and if they could then perhaps the market isn't overvaluing them even at the current price levels," said Paul Christopher, head global market strategist at Wells Fargo Investment Management. "If you have these [tech] stocks beating earnings then that is a good sign."

US stock fund flows turn positive for the year

Flows into US equity funds in 2017 ($bn)



Source: EPFR
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The surge in tech shares has ushered in record highs by US stock indices, with the S&P 500 setting a new all-time high on Monday following its 49th record close of the year a week prior. Indeed, the blue-chip US equity benchmark has now gone nearly a year without suffering at least a 5 per cent correction — the longest streak in the index’s history since 1928.

Money managers have been cheered in part by the prospect of tax cuts, which passed key hurdles in Congress this month. Every percentage point drop in the corporate tax rate results in a $1 rise in earnings per share for the S&P 500, according to Vinay Pande, the head of short-term investment opportunities at UBS Wealth Management.

“[Corporate] profit share of GDP is rising and if there is a tax cut it will rise more,” he said. “The thing about equities, you trade the profit share of GDP. If someone reduces regulation, cuts taxes, does not empower labour unions . . . the profit share will go up.”

Mr Pande added that sentiment among investors had also shifted because of the strong gains by the market this year, with the Nasdaq and Dow Jones Industrial Average both up more than 18 per cent in 2017.

The S&P 500 technology index has gained more than 30 per cent this year, compared to the broader benchmark’s 14.4 per cent rise, but the tech rally slowed in the third quarter while investors shifted their attention to less-loved sectors, industries and companies that would benefit from the Trump administration’s plans to cut taxes.