Away from the financial bust, tech stocks boomed

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(AP) -- Intel Corp. and other technology stocks helped lead the way as markets climbed out of the trough they fell into in March - even as the recession kept many big corporations and consumers sitting on their wallets instead of spending on computers and other high-tech products.

Wary investors could find much to like about technology companies, including solid profits - if slower growth than in the past - and cash-laden balance sheets. Unlike in the last bust, technology companies were not to blame for the economic turmoil.

"Technology looks relatively safe," said Ryan Jacob, portfolio manager for the Jacob Internet Fund, which owns stakes in such companies as Apple Inc., Google Inc. and Yahoo Inc.

While the Dow Jones Industrial Average has risen 53 percent - crossing back over the 10,000 mark Wednesday - and the S&P 500 has improved 61 percent since March 9, the tech-heavy Nasdaq has jumped an even sharper 71 percent. Financial stocks have rebounded more, but they had farther to go after being beaten down in the market meltdown.

Intel's shares have improved 70 percent since March, in part because the chip maker was able to extend its dominance into the popular "netbook" category of small computers. Investors like how Intel's chips keep getting more powerful yet cheaper to make. An upbeat outlook from Intel on Tuesday was one of the developments that helped lift the Dow past 10,000.

Apple's shares have been even stronger. The stock has more than doubled since Wall Street hit its low point this year on March 9.

Investors were relieved to see CEO Steve Jobs return from medical leave, but they've also been stoked about Apple's push into the mobile market with the iPhone. Apple's cell phone market share is still tiny, leaving it plenty of room to grow in a market that is bigger than personal computers. The iPhone also is priced competitively, unlike Apple's premium-priced Mac computers.

Even as the sagging economy tamped down advertising budgets, Google's ad sales remained healthy, although they improved at the slowest pace in the company's 11-year history. Management also impressed investors with financial discipline as it laid off a few hundred workers and took away some employee perks to boost profits. Google's stock has improved 84 percent since March to about $534 per share, though that is still well below the record of $747 reached in 2007.

Retail companies were hurt badly by the downturn, but Web retailer Amazon.com Inc. fared decently, with shares rising 60 percent since March. People may have been shopping less elsewhere, but they flocked to Amazon for deals, pushing the company's revenue higher in both the first and second quarters of the year.

Among the tech companies that make up the Dow Jones industrials, Microsoft Corp. has been one standout. It is sitting on $30 billion in cash, and is in position to reap significant benefits once companies and shoppers start buying computers again. Microsoft shares have increased 74 percent since March.

Another Dow component, Hewlett-Packard Co., has won points with investors because of CEO Mark Hurd's cost-cutting and his expansion beyond HP's core markets of PCs and printer ink, where profits are under pressure from low-cost competitors. In response, HP is becoming a bigger player in the more profitable businesses of computer networking and technology services. Hewlett-Packard shares have gained 88 percent since March.

Tech's impressive returns should continue through the fourth quarter, which is the strongest time of year for tech companies, said Robert Stimpson, a portfolio manager for Kansas City, Mo.-based Oak Associates. The fourth quarter is typically lucrative because of holiday shopping by consumers and because corporations hold off on some tech purchases until the end of the year, when they have optimal insight about what still fits in their budgets.

While information-technology companies outperformed, telecommunications services has been one of the weakest sectors this year.

The sector has long-term challenges. Phone companies are losing landlines at a rapid pace. Nearly everyone already has a cell phone, so further growth in wireless can't be counted on. Also, competition is reducing monthly service fees.

But some of the underperformance in telecom stocks can be attributed to other factors. Carriers with relatively steady income, such as Dow components AT&T Inc. and Verizon Communications Inc., weren't dragged down as much as companies in other sectors by the 2008 meltdown. As a result, these stocks have has less of a rebound to make this year. AT&T shares have risen 23 percent since March 9, while Verizon's stock has gained just 14 percent.