

Apple's downward spiral accelerates

December 5 2012, by Prune Perromat



The "Apple" logo is seen on a tablet screen on December 4 in Paris. Apple shares suffered their worst decline in years as selling momentum gained steam for the longtime tech star and world's largest company by value.

Apple shares suffered their worst decline in four years Wednesday as selling momentum gained steam for the longtime tech star and world's largest company by value.

[Apple](#) stock tumbled 6.43 percent to close at \$538.79, and is now down some 23 percent from its record high earlier this year above \$700.

It was the worst single-day decline for Apple since December 17, 2008, according to Michael Gayed, strategist at Pension Partners.

The decline also wiped out some \$35 billion in value for Apple, whose market value is now some \$506 billion.

There has been no single catalyst for Apple losing its luster, although some analysts say it has lost its edge in innovation, and that its iconic [iPhone](#) and [iPad](#) are facing tougher competition.

Another factor was a disappointing [earnings report](#) in October from Apple, which in recent years has powered past analyst forecasts.

"There are plenty of reasons to say the stock is done," said Michael James, at Wedbush Securities.

"It's becoming a show-me story, they're going to have to meaningfully beat estimates on the next report."

James said a lack of information from the secretive California giant also has the market nervous: "Chatter, rumors and traders sentiment are all going to move the stock meaningfully without any comments from Apple."

A report from the research firm IDC underlined those concerns, saying that tablets powered by the [Google](#) Android system are gaining on the market-leading iPads.

IDC now expects Android's worldwide tablet share to increase to 42.7 percent for 2012 from 39.8 percent in 2011. Apple's share is expected to slip to 53.8 percent from 56.3 percent in 2011.

Trip Chowdhry at Global Equities Research said the market was also

jolted by reports that Apple had shifted production of some iMac computers to the United States.

"Apple quality is phenomenal, but you can't overnight produce something in a different location and expect the same kind of quality and cost structure, and that is creating anxiety," Chowdhry said.

Jody Giraldo at EquityStation said some investors are merely locking in gains before the end of the year.

"The stock had a very good run over the year and it seems a lot of people continue to sell to lock in some returns," he said.

"A lot of managers here in the states are behind in terms of their return versus the S&P (index) and they take all the profits where they can."

Jon Ogg at 24/7 Wall Street said Apple's stock problem is more technical than fundamental, but also said the market is no longer expecting a one-time special dividend which would be a boost.

The analyst noted that technical trades focus on performance metrics and that because Apple shares have been underperforming, some portfolio managers and computer programs are driven to sell.

"The issue we see on the chartist side of the equation is a coming death-cross chart pattern in the next few days," he said.

"This is a bearish chart pattern that occurs when the 50-day moving average crosses under the 200-day moving average, hence the death-cross."

(c) 2012 AFP

Citation: Apple's downward spiral accelerates (2012, December 5) retrieved 27 July 2024 from <https://phys.org/news/2012-12-apple-downward-spiral.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.