

Apple's love affair with Wall Street grows rocky

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After its long dark winter, Apple's tumbling share price is now in the midst of an equally dark spring.

Amid concerns that an inventory glut from one of its main suppliers suggests [iPhone](#) sales may fall short of analysts' expectations, investors on Wednesday dumped the stock, sending its share price down 5.5 percent. At one point, the stock dipped below the [psychological barrier](#) of \$400 for the first time since December 2011, raising speculation that Apple's glory years of red-hot growth could be on the wane.

Apple's stock has now fallen more than 40 percent from a record high of

\$705.07, a pinnacle reached last September on the day the [iPhone 5](#) launched in the United States.

And the longer it goes without pulling another hit product out of its hat, the more investors seem to worry about Apple's long-term fate.

"Think of Apple like a movie company, and to make money you have to keep coming out with blockbusters," said Trip Chowdhry, managing director of equity research at Global Equities Research. "Apple needs a [blockbuster](#), and we haven't seen one in while. Their product line is starting to look old."

Wednesday's dramatic share-price drop comes less than a week before the Cupertino, Calif., tech giant announces its [quarterly earnings](#). Analysts expect Apple to report Tuesday that earnings per share were \$10.13, according to Thomson Reuters, compared with profits of \$12.30 in the same quarter a year ago. If that happens, it would mark the first time in nine years Apple has seen its year-over-year profits decline.

Apple investors were rattled after audio-chip provider Cirrus Logic's share price fell more than 15 percent when it reported projected revenues far below consensus estimates, a possible signal that Apple is ordering fewer parts due to lessening demand and increased competition. That news came on the heels of Japan Display's announcement Monday that it was looking for new buyers for its displays, which are used on the iPhone, a hint that it was seeing a drop in orders from Apple.

Cross Research analyst Shannon Cross told Reuters that the Cirrus report is "a reminder of weakening demand, and the challenges around product transitions" for Apple. "There's not a lot of conviction about what the second half is going to look like."

Apple declined to comment, and Cirrus did not immediately respond to a

similar request.

Since Apple's shares peaked, investor concerns seem to have mounted by the day: slowing profit and sales, narrowing margins, intensifying mobile competition, even the recent criticism of its customer service Apple received from the Chinese government. And while the iPhone is the top-selling handset, Samsung has become the leading overall provider of smartphones by introducing a variety of devices with different designs and prices.

Just as in January, when Apple shares took a hit after the company's earnings disappointed analysts, there was plenty of doom and gloom on Wednesday. One Twitter user said Apple's falling share price Wednesday was "making me want to jump out the window." Another described it as "a fat man skydiving." Even Piper Jaffray analyst and noted Apple bull Gene Munster was sounding a cautious note before Tuesday's earnings, writing that Wall Street's "expectations still appear too high, and Apple is likely to guide June down."

Apple's outlook is still strong, however, with revenues expected to set another record in its second fiscal quarter 2013 and more than \$150 billion in cash sitting in the Cupertino company's coffers. Even that cash hoard has become an issue, though, as activist investors have hounded Apple to make it return some of its cash to stakeholders.

Despite the share price fall, Apple still has plenty of believers. Indeed, only a little over 2 percent of Apple shares are held by short-sellers, or investors who are betting the [share price](#) will fall further.

And in Apple's defense, analyst Ben Bajarin with Creative Strategies said, after years of introducing game-changing technologies, the company may have set itself up for the ongoing stock-price pull-back. He sees the drop as a sign of Apple's gradual transition from a period of

spectacular growth driven by successive innovations to a more measured, more traditional and more manageable product-release cycle.

"At one point, they were having four or five product launches a year," he said. "Three months would go by and then - bang! - another great gadget would come out. But what Apple was doing was simply not sustainable.

"With each new hit product," said Bjarin, "the expectations for the next one kept getting higher, and you just can't expect [Apple](#) to keep up that level of production indefinitely."

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