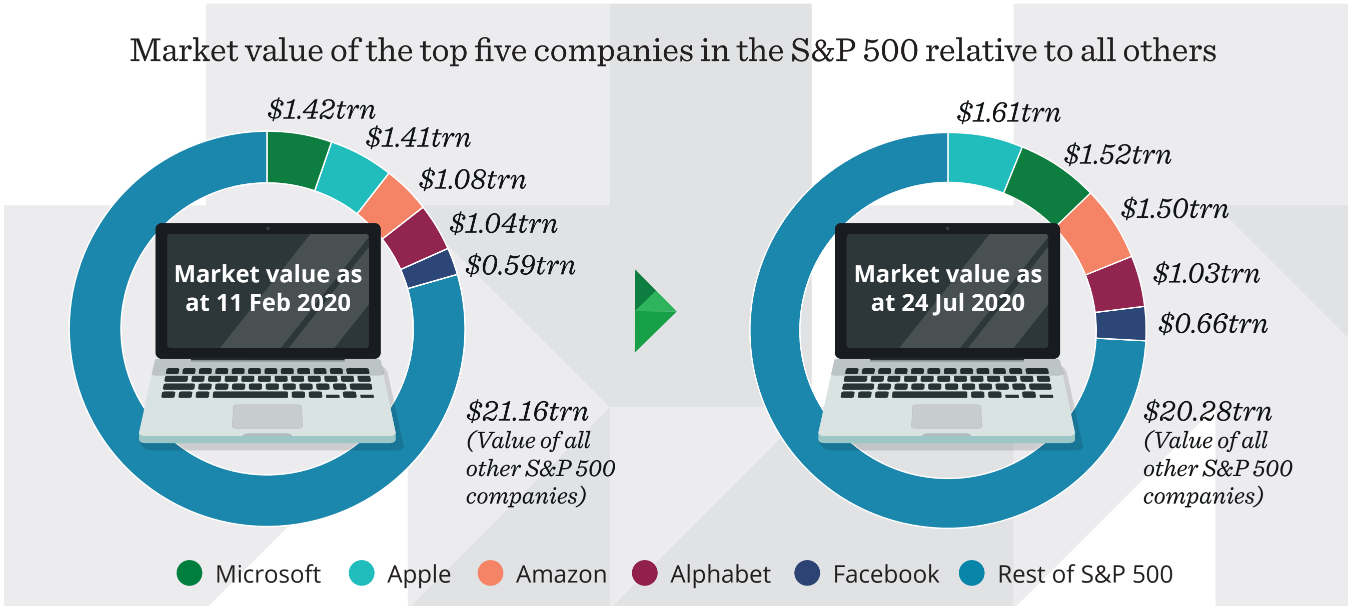
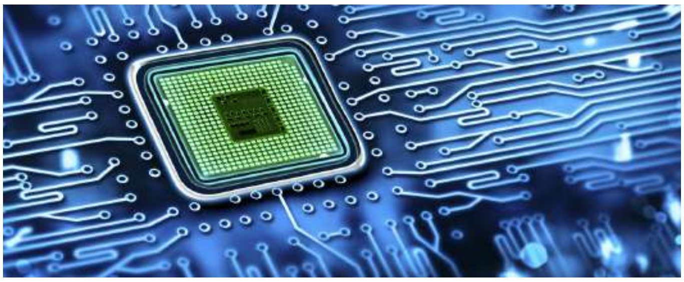
Quilter

Between the lines | Week 31

A bigger slice of the pie: Tech giants flourish in lockdown



Source: Macrotrends, CNN, Standard & Poor's and Haver Analytics.



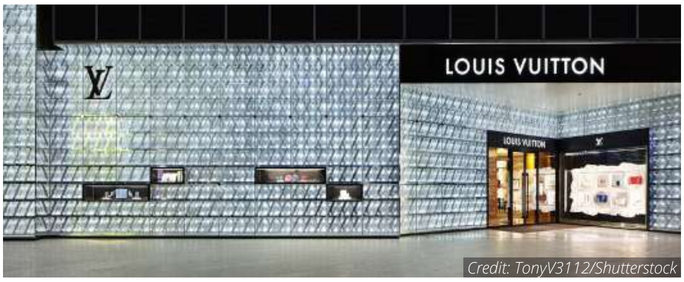
Chips and dips...

Despite announcing better than expected second quarter results last Thursday (23 Jul), shares in the chipmaking giant Intel plummeted more than 16% the following day on the news that shipments of its critical next-generation chips could be delayed at least a year. Meanwhile, shares in its much smaller US rival, Advanced Micro Devices (AMD), gained just over 16% on the same day.

Although Intel's newly-reinstated full-year guidance still implies annual earnings growth of 4%, the numbers did little to counter investor concerns that the company had not only failed to deliver but was effectively admitting defeat. It's now looking for an outside partner to make chips incorporating tiny 7-nanometer transistors (the rule of thumb being that the smaller the transistor, the faster and more efficient it is).

Meanwhile, shares in AMD, which already sells 7-nanometer chips, soared 16.5% on Friday (24 Jul).

By Monday (27 Jul) Intel had announced the resignation of its $27m-a-year chief engineering officer, Murthy Renduchintala.



Credit: TonyV3112/Shutterstock

Dancing around their handbags

Shares in LVMH, the French luxury brand conglomerate run by billionaire Bernard Arnault, fell on Tuesday (28 Jul) following news that second quarter sales had slumped 38% and that profits had nosedived 68% in the first half of the year amid what's expected to be the worst-ever quarter for the luxury goods industry.

LVMH's operating profits of €1.67bn were almost €1bn shy of analysts' expectations. While sales of fashion and handbags from 'big guns' such as Louis Vuitton and Dior held up better than jewellery sales from brands like TAG Heuer and Bulgari, second-quarter sales fell 38% after falling 17% in the first.

The damage was done by store closures and travel restrictions that impacted both its sales in China, a key segment of its business, and in major European cities and airports, much of which is driven by US tourist traffic.

Industry analysts have forecast sales of personal luxury goods could shrink by up to 30% this year and might not recover to 2019 levels until 2023.

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