



With a high bar set by the market, the second-quarter reporting season hasn't been a smooth ride for the global tech sector. (UBS)

Tech earnings underline intact AI fundamentals

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The second-quarter earnings season for big tech companies came to an end overnight with mixed results.

Apple reported stabilizing iPhone trends, strong services growth, and solid free cash flow generation, while Amazon's projected profit missed analyst estimates. However, the revenue growth for Amazon's cloud business accelerated to 19% year over year in the second quarter. Nasdaq futures are down 1.6% at the time of writing after a 2.3% decline on Thursday.

Our view: With a high bar set by the market, the second-quarter reporting season hasn't been a smooth ride for the global tech sector. However, fundamentals remain solid, and global tech is on track to report earnings growth of 24% year over year for the quarter. We see a 43% year-over-year growth in big tech's overall capex for 2024 after the cohort guided for another USD 9bn increase, and there has been more anecdotal evidence that AI monetization is picking up. The latest results and our recent supply-chain checks also indicate strong demand for AI chips in the coming year.

We maintain our positive view on the AI growth story, and think that the recent share price correction offers a good opportunity to add exposure to leading AI beneficiaries in the semiconductor, software, and internet space at more reasonable valuations. Investors can also consider structured strategies for more defensive exposure to navigate future volatility ahead of potential export control renewals in October and the US election in November.

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Original report - [Stocks fall on US growth fears, 2 August 2024.](#)

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