

InvestorCoffee (07.30.2024): Apple Selects Google for AI Chips

written by Tracy Hughes | July 30, 2024

In Canada, futures remained flat ahead of a significant week for earnings, with major companies like BCE Inc. (NYSE: BCE), Canadian Natural Resources Limited (NYSE: CNQ), Canadian Pacific Kansas City Limited (TSX: CP | NYSE: CP), and Enbridge Inc. (TSX: ENB | NYSE: ENB) set to release their quarterly reports. On Wall Street, futures linked to the main indexes inched higher as investors anticipated an earnings update from Microsoft Corporation (NASDAQ: MSFT) after the bell. European shares experienced gains, bolstered by technology and oil stocks, while Japan's Nikkei rebounded to close higher. Global traders remained cautious, eyeing the outcomes of policy meetings at the Federal Reserve, the Bank of England, and the Bank of Japan, all of which could heavily influence the market. In the currency market, the yen weakened amidst last-minute uncertainties about a Bank of Japan rate hike, while the U.S. dollar remained stable against major peers. Oil prices fell due to a softening demand outlook, whereas gold prices saw an advance.

Euro STOXX 50 futures rose by 4 points to 4,847.0, while FTSE futures fell by 12.5 points to 8,287.5, and German DAX futures dipped by 1 point to 18,431.0. Bond, currency, and stock markets traded cautiously ahead of central bank meetings in the U.S. and Japan, along with numerous major corporate earnings reports. Oil prices continued to decline, extending losses from the previous session, driven by concerns over demand in China, the world's largest crude importer, even as the market seemed to dismiss the risk of escalating conflicts in the Middle East.

In the U.S., the S&P 500 and Nasdaq Composite inched higher on Monday as the busiest week of earnings season commenced. The broad market index advanced 0.08% to close at 5,463.54, while the Nasdaq Composite gained 0.07% to finish at 17,370.20. Conversely, the Dow Jones Industrial Average dropped 0.12% to end at 40,539.93. This week's highlight includes earnings reports from major tech companies such as Microsoft, Meta Platforms, Inc. (NASDAQ: META), Apple Inc. (NASDAQ: AAPL), and Amazon.com, Inc. (NASDAQ: AMZN), which will provide crucial insights into whether megacap technology stocks can recover from last week's losses.

Apple Inc. has [chosen](#) to use chips designed by Google, rather than industry leader Nvidia, for two key components of its AI software infrastructure, according to a research paper published by Apple. This decision is significant as Nvidia currently dominates the market for AI processors. Despite not explicitly mentioning the exclusion of Nvidia chips, Apple's paper notably lacks references to Nvidia hardware, indicating a strategic pivot towards Google's cloud infrastructure.

Delta Air Lines, Inc. (NYSE: DAL), meanwhile, has hired a law firm to seek compensation from Microsoft and CrowdStrike Holdings, Inc. (NASDAQ: CRWD) over a global cyber outage that disrupted flights earlier this month. The tech failure, which led to over 2,200 flight cancellations on July 19, has heavily impacted Delta, resulting in more than 6,000 canceled flights to date and stranding hundreds of thousands of travelers. Analysts estimate the financial hit could be in the hundreds of millions of dollars. Shares of CrowdStrike fell in premarket trading as a result of the incident.

Hologic, Inc. (NASDAQ: HOLX) [reported](#) a higher third-quarter profit driven by strong demand for its diagnostics and breast health products, though it forecasted lower-than-expected

revenue for the current quarter. Despite this, the company marginally raised its fiscal year 2024 adjusted profit per share and revenue forecasts. Its diagnostics segment posted a third-quarter sales increase to \$440.8 million, surpassing analyst expectations of \$430.3 million.

Merck & Co. posted strong second-quarter results, largely due to the growth of its cancer immunotherapy Keytruda. The company slightly raised its full-year sales projections, aligning with similar upward revisions from other pharmaceutical giants. Merck reported a profit of \$5.5 billion for the quarter, significantly higher than last year's loss due to acquisition-related charges.

PayPal Holdings Inc. raised its full-year adjusted profit forecast for the second time, bolstered by resilient consumer spending and cost-cutting measures. The company now expects adjusted profit growth in the "low to mid-teens percentage" range for 2024. Despite strong overall performance, PayPal's third-quarter revenue forecast fell short of Wall Street expectations, predicting a "mid-single-digit percentage" growth.

Pfizer Inc. increased its annual profit forecast after reporting better-than-expected sales for its COVID-19 vaccine and antiviral treatment. The company now projects annual profit in the range of \$2.45 to \$2.65 per share, up from the prior forecast of \$2.15 to \$2.35 per share.

Tesla, Inc. (NASDAQ: TSLA) [announced](#) a recall of over 1.8 million vehicles in the U.S. due to a software issue that could prevent the detection of an unlatched hood, posing a significant safety risk. The recall affects certain Model 3, Model S, Model X, and Model Y vehicles from 2020-2024. In other global news, the U.S. is leading efforts to deter Israel from striking Lebanon's capital Beirut in response to a rocket attack on the Golan Heights. Meanwhile, Standard Chartered reported a 5% rise

in pretax profit for the first half of the year and announced its largest share buyback to date. Swiss chemicals maker Sika AG saw a 9.2% jump in sales for the first half of the year, maintaining its growth expectations for the full year. Additionally, Sanofi-owned Genzyme has filed a lawsuit against Sarepta Therapeutics over patent infringements related to a Duchenne muscular dystrophy treatment.

Note: Tracy Hughes uses a variety of sources for her daily market update series called "InvestorCoffee." InvestorCoffee is intended to be a brief summary of market highlights that the InvestorNews team finds engaging. This is meant to inspire research, investigation, and due diligence, and we encourage you to always seek licensed professional advice with any investment decision. While Tracy is a professional writer, she is not a licensed investment advisor. She enjoys utilizing ChatGPT and other technology devices to help distill information and prioritize business data...while sipping her coffee! For more information email us at info@investornews.com.
