3 of the Magnificent 7

7 companies, often referred to as the "magnificent 7" have been pivotal in driving the performance of the US stock market this year, even as some of these gains have faded in recent months. These 7 companies are Apple, Microsoft, Alphabet (Google), Amazon, Nvidia, Tesla and Meta Platforms (formerly known as Facebook). Collectively they hold a significant sway over the market's fortunes.

This week 3 of the these "magnificent" companies reported their September quarter earnings.

Microsoft

Valued at $2.5 trillion reported 3rd quarter earnings that exceeded expectations, as revenue grew by 13% to $56.5 billion for the quarter. The primary driver of this growth was their cloud service Azure and the beginnings of integration of various AI solutions stemming from their substantial investment in AI leader OpenAI earlier in the year. The market loved the results and the outlook and pushed the price up 4% after the results announcements.

Alphabet - The Parent Company of Google

With a valuation of $1.5 trillion, also reported strong results for the quarter. Revenue increased by 11% to $76.69 billion, surpassing estimates. However, the important cloud computing component fell short of market expectations, despite a 22.5% growth in revenue. This led to a swift market correction, with the stock price declining 10% after the release of the results.

Amazon

Valued at $1.25 trillion, released results last night after the market's close. Amazon competes with Microsoft and Google in the cloud business through their Amazon Web Services (AWS). Results came in with overall revenue of $143.1 billion and quarter profits of $9.9 billion. While AWS sales were up 12% to $23.1 billion, slightly missing market expectations, investors were buoyed by the company's emphasis on AI, projected to generate "tens of billion" for the cloud service. This optimism led to a 5% surge in the share price after the markets closed.

In the long run it's a company's sustained growth and earnings that determines its value. But in the short term, there is a preoccupation with quarterly results relative to expectations that moves share prices. The performance of these technology giants remains a crucial barometer for the overall health of the US stock market.

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