

# Financial Markets This Week

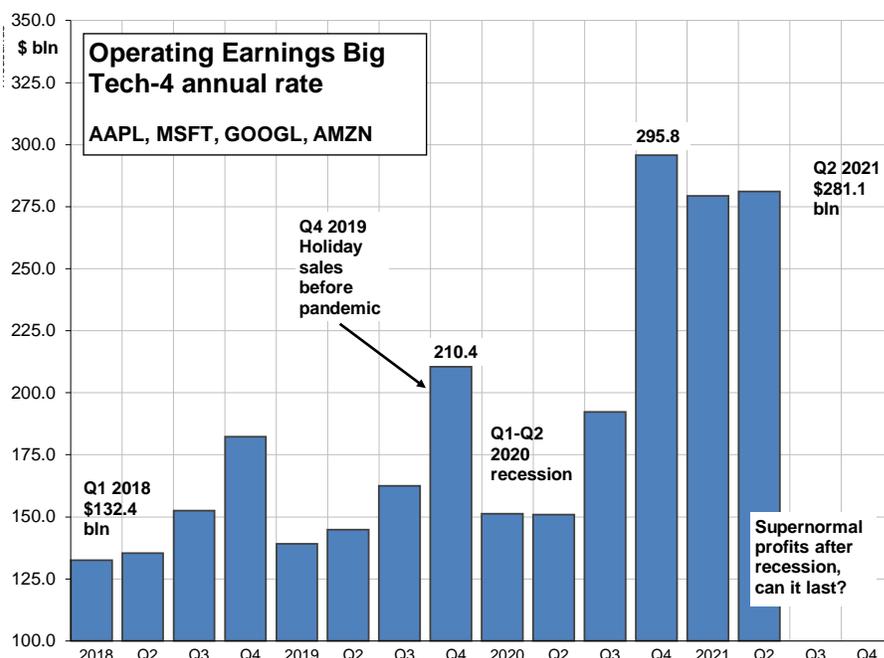
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## STOCKS ARE CHEAP IF BIG TECH CONTINUES MAKING BILLIONS

It's not just big tech earnings, many companies are making insane profits in the ongoing recovery from the pandemic even with 8.702 million Americans still out of work in July. But big tech continues to shine with Apple, Microsoft, Alphabet, Amazon operating earnings off the charts in terms of what was thought to be possible at the start of 2020. Profits are far beyond the "best economy in fifty years" before the pandemic.

The fourth quarter is always big given Apple's holiday sales. Apple was 45.3% of Tech-4 earnings in the table here for Q4 2020. Q4 2020 Tech-4 earnings were \$295.8 billion (annualized) which is a 40.6% leap into the stratosphere from Q4 2019 before the pandemic. In comparison, Q4 2019 profits were 15.4% higher from the Q4 holidays in 2018. Profits were still good in the first half of 2021



without much in the way of holidays. But we wonder how long the good times can continue to roll without some kind of hiccup, especially as all our money is in the market. S&P 500 fell 6.2% in 2018 during the Federal government shutdown and the Federal Reserve hiking rates to all of 2.5%, but has since been on a tear: 28.9% in 2019, 16.3% in 2020, and 19.0% so far in 2021 at Friday's close. 1,000 dollars in the market at the end of 2018 is 1,783 today. Stocks are still cheap with big tech's billions in earnings. Bet on it, if you dare. One of these days we have to do another newsletter on why stocks go down. But for today, the sun is out and shining. For now.

Operating Income calendar quarters (\$bln)										
	<u>Q1 2019</u>	<u>Q2 2019</u>	<u>Q3 2019</u>	<u>Q4 2019</u>	<u>Q1 2020</u>	<u>Q2 2020</u>	<u>Q3 2020</u>	<u>Q4 2020</u>	<u>Q1 2021</u>	<u>Q2 2021</u>
Apple	13.415	11.544	15.625	25.569	12.853	13.091	14.775	33.534	27.503	24.126
Microsoft	10.341	12.405	12.686	13.891	12.975	12.405	15.876	17.897	17.048	19.095
Alphabet	6.608	9.180	9.177	9.266	7.977	6.383	11.213	15.651	16.437	19.361
Amazon	<u>4.420</u>	<u>3.084</u>	<u>3.157</u>	<u>3.879</u>	<u>3.989</u>	<u>5.843</u>	<u>6.194</u>	<u>6.873</u>	<u>8.865</u>	<u>7.702</u>
Total	34.784	36.213	40.645	52.605	37.794	37.722	48.058	73.955	69.853	70.284

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