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TECH

# Amazon Takes Market Cap Crown, Cementing Tech Power

Software giant, at $797 billion, surpasses Microsoft with $784 billion in value

An Amazon fulfillment center in England. **PHOTO:** LEON NEAL/GETTY IMAGES

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Amazon.com Inc. AMZN **3.44%** ▲ is the latest technology titan to claim the crown of world's most valuable public company, signaling the industry's enduring market dominance even after turbulent months in which investors pummeled their shares.

Amazon finished Monday's session up 3.4% at $1,629.51, with a market capitalization of $796.78 billion, the first time the retailer has attained the market-cap title. It ended a weekslong reign by Microsoft Corp. , which finished up 0.1% with a value of $783.57 billion.

The software giant in late November supplanted Apple Inc., for years the leader before worries about iPhone sales—exacerbated by the company's revenue warning last week—knocked its shares lower. Apple finished Monday at $701.99 billion, No. 4 behind Google-parent Alphabet Inc.'s $745.63 billion.

Monday's rise on Wall Street was driven by hope over a new round of trade talks between Washington and Beijing. The S&P 500 index was up 0.7%, rising for the sixth time in the last eight sessions. Amazon shares are up 8.5% in the past week, rebounding from a brutal stretch.

Amazon's 25% slide last quarter—its largest such drop in a decade—has pushed investors to scoop up beaten-down shares to start 2019, analysts say. Despite fears of slowing growth, the e-commerce giant is projected to show fourth-quarter sales up 20% from a year earlier when it reports earnings in the coming weeks, according to FactSet.

Tech stocks are well below their peaks—Apple was valued above $1.1 trillion at its apex in October, while Amazon touched $1 trillion midday before closing below it in September. But they remain far more valuable than the most valuable companies in other parts of the U.S. economy.

Warren Buffett's Berkshire Hathaway Inc. is the closest challenger at $485 billion, ahead of Facebook Inc., whose value has plunged in the past year amid a series of scandals. JPMorgan Chase & Co. and Johnson & Johnson , two names synonymous with their industries, have market values of less than $350 billion. Walmart Inc., a voracious eater of consumer spending, is less than $300 billion.

"They're not going anywhere," said Michael Lippert, who manages the Baron Capital Opportunity Fund, which counts Amazon and Microsoft among its largest holdings. "These are large markets and neither Amazon nor Microsoft has tapped them out. They've still got lots of growth opportunities."

The persistent dominance of Amazon, Microsoft, Apple and Google, even in a wobbly market, flows from their power to disrupt old industries, forge new ones and generate billions in profits along the way. Amazon, in particular, has extended itself into a widening array of industries, from advertising to voice-activated gadgets to streaming media, and in recent quarters has started focusing more on making money in addition to growing.



The big four proceeded from different starting points: Amazon in e-commerce, Apple in computers and smartphones, Alphabet in internet search and Microsoft in business and consumer software. Increasingly, though, they are encroaching on each other's turf as they strive to be all things to all users.

Amazon, Microsoft and Google are all significant players in renting out computing storage and services to others, a business known as cloud infrastructure that Amazon essentially invented about 12 years ago. Gartner Inc. estimates that sector will grow to a $65.9 billion market world-wide in 2021 from $25.3 billion in 2017.

It was Microsoft's ability to put its head down and focus on migrating big corporate customers to the cloud and selling a cloud version of its popular Office productivity software that helped it keep pace on Wall Street with tech rivals selling flashy hardware and consumer services. It is now the No. 2 company in cloud infrastructure, though still far behind the pioneer, Amazon.

Google, a distant fourth, isn't sitting idly, having replaced its cloud boss recently. And while Apple isn't a seller of cloud services broadly, it is estimated to have collected $3 billion in revenue from iCloud for fiscal 2018, according to UBS.

Google owns the business of search advertising, where Microsoft also competes. But Amazon has built its own formidable business, leveraging its dominant online marketplace for selling consumer goods.

And they are pitted against each other in hardware, trotting out an array of iPhones, Chromebooks, Surface computers and Kindle readers that double as vessels to push ever more software and services.

That strategy in particular has helped Apple expand its services into a more than $37 billion business in fiscal 2018 as unit sales of the iPhone, its most popular device, slows. Even Microsoft, which abandoned the mobile-phone market, has carved out a flourishing hardware business with its Surface machines and Xbox videogame console.

The tech giants are also vying for control over futuristic and potentially lucrative arenas such as artificial intelligence, self-driving vehicles and intelligent digital assistants. Each company makes a voice-activated speaker, or in Microsoft's case, software used in other's hardware. And they are angling to put their bots within earshot of as many people as they can, evidenced by Amazon's agreement to let customers access Apple Music through its Echo speaker.

A market rout in the fall, driven by fears over higher interest rates, slowing growth and trade tensions with China, wiped hundreds of billions of dollars from the market values of the tech highfliers. The group was left close enough to each other to play market-cap hot potato.

Their fight now for market supremacy is being egged on by investors who are more than willing to wade back into the stock market's riskier, faster-growing corners.

Similar to how broad fears of slowing global growth contributed to one of the most punishing quarters for tech stocks, recent short-term optimism is factoring into their rally, analysts said.

"Momentum stocks took the biggest hits, so whenever there's a rebound like this, we're seeing them outperform just because a lot of people feel like they've been oversold," said Mohit Bajaj, director of ETF trading solutions at WallachBeth Capital.

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