Apple Drops on Nokia China Deal, Google Tablets

By Sarah Frier and Adam Satariano - Dec 5, 2012

Apple Inc. (AAPL) shares declined the most in almost four years yesterday on concern that the company will lose ground in smartphones to Nokia Oyj (NOK1V) in China while giving up market share to Google Inc. (GOOG) in tablets.

Apple fell 6.4 percent, the biggest drop since Dec. 17, 2008, to $538.79 at the close in New York. The decline erased $34.9 billion from Apple’s market value, the steepest loss since at least 1988, according to data compiled by Bloomberg. The stock has advanced 33 percent so far this year.

China Mobile Ltd. (941), China’s largest wireless carrier, agreed to carry the Lumia 920T, a device based on Microsoft Corp. (MSFT)’s Windows Phone 8 software, the companies said in a statement. Though Apple has agreements with China Telecom Corp. (728) and China Unicom (Hong Kong) Ltd. to sell iPhones, the Cupertino, California-based company hasn’t yet forged a deal with China Mobile in the world’s largest mobile-phone market.

“Nokia announced that they are launching one of their Lumia phones with China Mobile, and there was some hope that Apple would launch their iPhone on that network,” Gus Papageorgiou, an analyst with Scotia Capital Inc. in Toronto, said in an interview. “I think they still will, but they’ll probably launch closer to Chinese New Year.”

China’s next lunar year begins Feb. 10.

Apple’s slide also may be the result of traders predicting a drop after the stock failed to sustain a recent rally, a “classic technical breakdown,” according to Gene Munster, an analyst at Piper Jaffray Cos.

Tablet Wars

Munster said new so-called margin rules also may have been put in place by some investors that could limit how many Apple shares a firm can own. Investors may also be disappointed Apple isn’t issuing a special dividend like Oracle Corp. (ORCL), Wal-Mart Stores Inc. (WMT) and other U.S. companies, he said.

Apple is trading at a 39 percent discount to the Nasdaq Composite Index on a price-to-earnings basis, slipping from a discount of about 5 percent on Sept. 21, when the stock touched a record high of $705.07.

In another announcement that may have fueled the stock slide, research firm IDC said in a report yesterday that Apple’s share of the tablet market will slip to 53.8 percent this year from 56.3 percent in 2011, while Google's portion will advance to 42.7 percent from 39.8 percent. Apple’s tablet share will slip to less than 50 percent by 2016, as total global tablet sales more than double to 282.7 million units in four years as consumers increasingly shun personal computers, according to IDC.

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