First to Market

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ALPHABET TOPS APPLE’S MARKET VALUE IN VALIDATION OF AI TRADE REVIVAL

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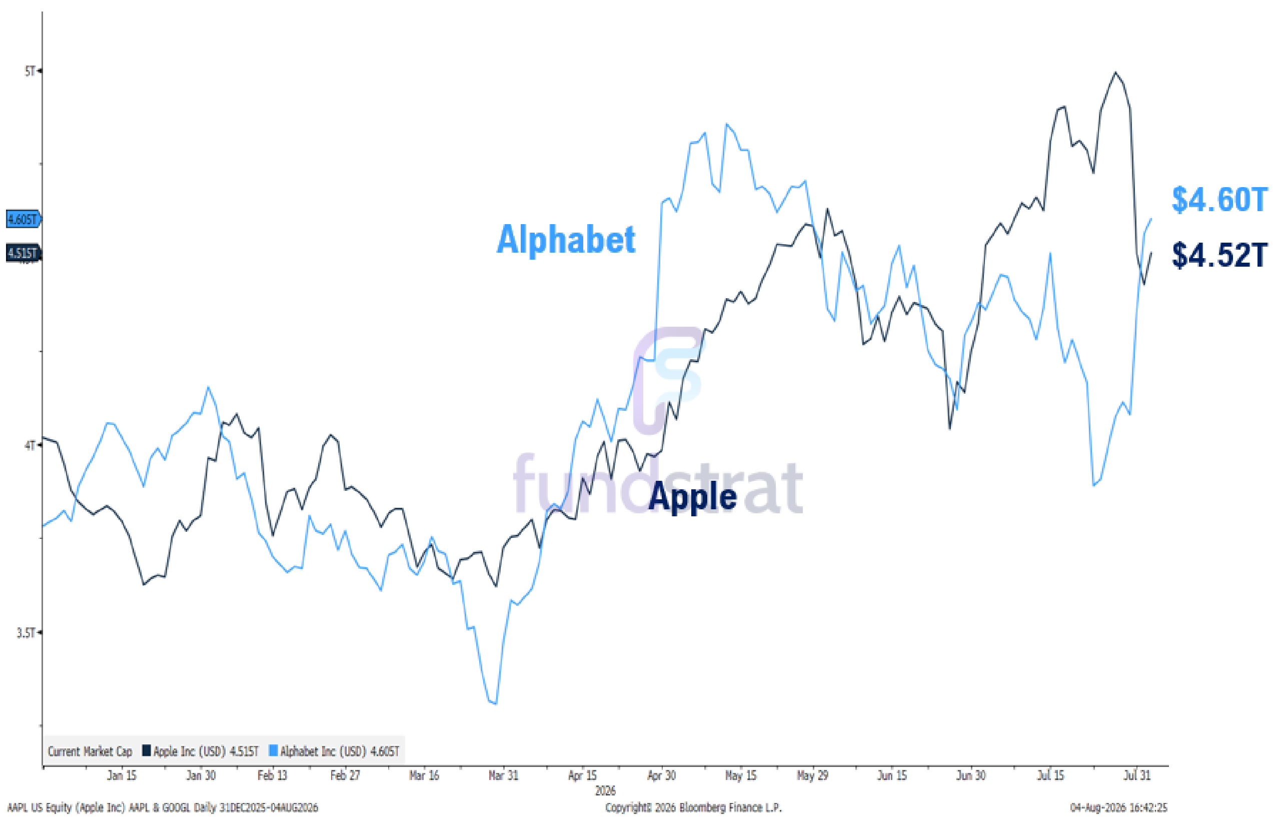
Chart of the Day

Alphabet overtakes Apple in market cap
YTD



Source: Fundstrat, Bloomberg

Good morning!

Google-parent Alphabet has passed Apple as the second most valuable company in the world, a confirmation signal that the nascent rebound in tech stocks is real.

The search giant's market value rose to $4.56 trillion on Monday, surpassing the iPhone maker's market value of $4.43 trillion. On Tuesday, the gap narrowed some, with Alphabet $GOOG at $4.60 trillion, above the $4.52 trillion boasted by Apple $AAPL.

Alphabet's reclamation of the title comes as AI-themed stocks have surged in recent days. On Tuesday, Coherent's $COHR stock rose 12%, while Lumentum $LITE added 8.9%. Micron $MU and Sandisk $SNDK shares jumped 7.6% and 11%, respectively. Software stocks have roared back to life, thanks to Palantir’s $PLTR revenue and “otherworldly”earnings beating. Its stock was up nearly 30%.

That marks a U-turn after a brutal summer that tested everyone’s risk appetite. South Korean officials considered eliminating leveraged ETFs, while whiz kid Leopold Aschenbrenner's hedge-fund firm Situational Awareness saw assets fall from $45 billion to about $10 billion in mere days.

The latest earnings results from Alphabet showed that it beat overall revenue and cloud-computing estimates, but it raised its capex guidance to a range of $195-$205 billion for this year from $180-$190 billion. Its 2027 capex could be in the range of $250-$255 billion. The increased capex expectations naturally led shares to finish down 6.2%, but they eclipsed Apple soon after anyway.

Apple, by contrast, has exercised a sharp control over AI spending. Buying its shares has been a bet about diversifying outside of AI, with few expecting Siri AI to perform better than rivals. Its latest earnings beat but guidance for the current quarter disappointed. Analysts were expecting sales growth of 12%, but Apple said it’s more likely to be between 9 and 11%.

Despite Google outperforming Apple, many investors remain concerned that the issues that hit AI-heavy stocks in the first place haven’t been fully resolved, making it hard to trust this rally. For example, hyperscalers' propensity to spend on AI infrastructure without the need to see a reward hasn’t stopped, nor have the worries about what happens to the picks and shovels if that capex dries up.

Apple has held the larger market value for most of the stretch since 2020, and it wasn't until late last year that the gap with Google started narrowing and eventually Alphabet’s market value surged over Apple’s. But after the market was done digesting the Iran war, Alphabet slipped back below Apple as the summer selloff set in. So Alphabet’s rebound matters because it lost the spot when the AI trade broke and won it back when the trade started healing.

Alphabet shares are up 19% this year, while Apple’s are up 14%, compared to a gain of 183% for Micron and 149% for Sandisk. The S&P 500 has edged 13% higher.

Alphabet also looks much cheaper than Apple, even after the recent run-up. Alphabet shares are trading at a forward valuation of 21.4 and Apple's at 32.9. The broader market's trading at a multiple of 20.1.

Shares of Class A, B, and C are added together to get Alphabet's full market value. It's currently 10% away from Nvidia's $5.13 trillion.

Share your thoughts

Would you buy Alphabet over Apple right now? Click here to send us your response.

✍Here's what a reader commented ✍

Q: Do you support the U.S. playing a more active role in foreign-currency interventions?

A: Only when our geopolitical activities have hurt our friends and allies.

Catch up with Fundstrat

We discuss the six reasons we expect markets to make a new high in August. And we also discuss why we do not expect the Fed to hike in 2026.

Technical

It makes sense to be incrementally more positive, though bearish weekly momentum along with both ^TNX and crude oil starting to turn back higher possibly next week still merits some close observation as forces which might "throw a wrench" into the rally in risk assets.

Crypto

MSCI announced yesterday that it is conducting a consultation on a proposal to classify non-operating companies as ineligible for inclusion in the MSCI Global Investable Market Indexes. If approved, the proposal would likely exclude DATs from the indices.

News We're Following

Breaking News

- Iran Is Staking Everything on Controlling the Strait of Hormuz WSJ

Markets and economy

- The Investing Heavyweights That Backed Situational Awareness Before It Blew Up WSJ
- So what’s the plan to bring down inflation? The new Fed chair and his White House allies say you shouldn’t ask. MW
- Fed’s Kashkari says ‘now is the time to start slowly moving’ rates up CNBC
- Michael Burry bets against rally: ‘We are near a major top, and possible a 1987-type fall’ CNBC

Business

- SpaceX Says Spending Spree Is Supercharging AI Revenues WSJ
- AMD earnings send the stock sharply lower. Here's what to know. MW

Politics/U.S.

- Hegseth’s Pick for Top Army Job Is Losing Republican Support WSJ
- Mamdani Is Shunning New York Business Leaders Who Are Used to Calling the Shots WSJ
- Race Too Close to Call in Democratic Primary for Michigan Senate Seat NYT

Overseas

- How Being Cool Is Making The Hague a Vacation Hot Spot NYT
- China launches global tax hunt going back decades FT

Of Interest

- Trump administration refunds $100bn in ‘liberation day’ tariffs FT

Overnight

S&P Futures	+23 ▲ point(s) (+0.30% ▲)
overnight range:	+6 ▲ to +34 ▲ point(s)

APAC

Nikkei	+3.66% ▲
Topix	+2.13% ▲
China SHCOMP	+1.47% ▲
Hang Seng	+0.24% ▲
Korea	+3.76% ▲
Singapore	-0.55% ▼
Australia	+0.90% ▲
India	-0.36% ▼
Taiwan	+2.88% ▲

Europe

Stoxx	50 +0.01% ▲
Stoxx	600 +0.07% ▲
FTSE	100 +0.11% ▲
DAX	+0.05% ▲
CAC	40 +0.02% ▲
Italy	+0.33% ▲
IBEX	+0.52% ▲

FX

Dollar Index (DXY)	-0.05% ▼ to 99.812
EUR/USD	+0.08% ▲ to 1.1540
GBP/USD	+0.10% ▲ to 1.3466
USD/JPY flat at	157.75
USD/CNY	0.00% to 6.7489
USD/CNH	-0.01% ▼ to 6.7489
USD/CHF	-0.01% ▼ to 0.8092
USD/CAD	-0.02% ▼ to 1.4065
AUD/USD	+0.01% ▲ to 0.7047

UST Term Structure

2Y-3M Spread narrowed	-0.4bps ▼ to 37.5bps
10Y-2Y Spread narrowed	-1.2bps ▼ to 40.7bps
30Y-10Y Spread narrowed	-0.5bps ▼ to 55.2bps

USD HY OaS

All Sectors	-5.0bps ▼ to 296bps
All Sectors ex-Energy	-3.8bps ▼ 293bps
Cons Disc	-7.9bps ▼ to 498bps
Indu	+1.5bps ▲ to 245bps
Tech	-0.4bps ▼ to 218bps
Comm Srvcs	-1.4bps ▼ to 275bps
Materials	-1.5bps ▼ to 265bps
Energy	-0.1bps ▼ to 279bps
Fin Snr	-2.1bps ▼ to 195bps

Fin Sub	-2.6bps ▼ to 287bps
Cons Staples	-18.6bps ▼ to 421bps
Healthcare	-3.9bps ▼ to 311bps
Utes	-0.2bps ▼ to 211bps *

DATE	TIME	DESCRIPTION	ESTIMATE	LAST
8/5	9:45 AM	Jul F S&P Srvcs PMI	53.6	53.6
8/5	10:00 AM	Jul ISM Srvcs PMI	54.5	54
8/6	8:30 AM	2Q P Nonfarm Productivity	0.6	0.3
8/6	8:30 AM	2Q P Unit Labor Costs	2.1	1.8
8/7	8:30 AM	Jul AHE m/m	0.3	0.3
8/7	8:30 AM	Jul Unemployment Rate	4.2	4.2
8/7	8:30 AM	Jul Non-farm Payrolls	80	57
8/7	11:00 AM	Jul NYFed 1yr Inf Exp	n/a	3.67
8/11	6:00 AM	Jul Small Biz Optimisum	n/a	97.4
8/11	10:00 AM	Jul Existing Home Sales	4.07	4.09
8/11	10:00 AM	Jul Existing Home Sales m/m	n/a	-2.39

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