

Intel's best-ever results push US stock markets higher

Intel, the technology bellwether, has unveiled the best results in its 42-year history, sending US stock markets sharply higher.

By Jonathan Sibun, Assistant City Editor

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Paul Otellini, chief executive of the California-based company, said: "Strong demand from corporate customers for our most advanced microprocessors helped Intel achieve the best quarter in the company's history."

Second-quarter net profits of \$2.9bn (£1.9bn) smashed Wall Street analyst expectations, coming against a loss of \$398m a year earlier.

Intel's results a year ago were impacted by a \$1.45bn anti-trust fine from European regulators.

The world's biggest computer chip maker saw revenues rise 34pc to \$10.8bn in the three months to the end of June, ahead of the \$10.25bn forecast by analysts and Intel's own prediction three months ago of between \$9.8bn and \$10.6bn.

Intel, which manufactures chips for about 80pc of the world's computers, benefited from the rebound in demand for electronic devices after a sharp fall during the recession.

Wall Street watchers had been waiting for Intel's results on Tuesday with bated breath. The company's financial health is seen as a leading indicator of the strength of corporate America, so the strong numbers will bolster hopes that the US is making an economic fightback after three years of hardship.

The Dow Jones Industrial Average raced 146.75 points higher to close at 10,363.02, while the S&P 500 rose 16.59 to 1,095.34.

"Today's rally was the follow-through the bulls were looking for," said Ryan Detrick of Schaeffer's Investment Research. "Earnings season has started off strong, and we'll see how long the bulls can stay in control."

Intel's announcement followed strong results from Alcoa, the aluminium maker, on Monday, and

forecasts from Chevron, the energy group, that it expected second-quarter earnings to top those of the first quarter.

JPMorgan kicks off the financial sector's earnings season tomorrow.

Citigroup's shares rose 4.6pc after it agreed to sell part of its private equity business to Lexington Partners in a deal that will also boost hopes that the US financial giant is getting back on its feet again following a tough period during the financial crisis.

Intel said it was confident that its return to health could be sustained, despite concerns among analysts that the economic uncertainty in the US and Europe could affect sales.

“The PC and server segments are healthy and the demand for leading-edge technology will continue to increase for the foreseeable future,” Mr Otellini said.

Intel shares rose 5.2pc to \$22.09 in after-hours trading, following a 2.1pc rise during the day.

“In a quarter where people expected relatively strong performance, they beat that pretty handily and set a good forecast,” said Charter Equity Research analyst Edward Snyder. “They seem unaffected by the negativity that's impacting equities.”

Intel said its gross profit margin was 67pc, compared with the 64pc expected by analysts.

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