

Market Extra

July 18, 2012, 4:09 p.m. EDT

Intel report eases fears, but doubts persist

Some analysts think outlook is too rosy given economy, PC slump

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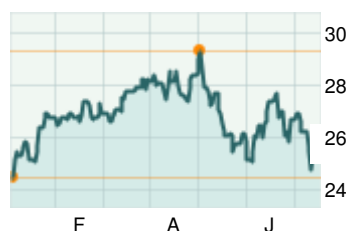
SAN FRANCISCO (MarketWatch) — Intel Corp.'s stock posted solid gains Wednesday after the chip giant scaled back expectations in a way that assured Wall Street that things aren't as bad as many feared.



Intel CEO Paul Otellini lowered the chip maker's outlook, but some are wondering if too much optimism remains.

including Advanced Micro Devices and Applied Materials, Intel's report prompted a collective sigh of relief on the Street.

INTC **26.21**, +0.83, +3.27%



"Simply stated, guidance could have been worse. A lot worse." Needham analyst N. Quinn Bolton wrote. "Though we maintain our hold rating, we are warming up to Intel shares, especially should the shares fall below \$25."

Worries of weakening demand, amid an uncertain global economy and a sluggish personal computer market, has sent Intel's stock falling over the last three months, though the shares remain up about 8% for the year.

Intel posted a slight dip in second-quarter profit on a modest gain in sales. The company expects revenue for fiscal year 2012 to be up between 3% and 5% year over year, "down from the prior expectation for high single-digit growth.

[Read full story on Intel's results.](#)

Otellini said growth in the current period "will be slower than we anticipated due to a more challenging macroeconomic environment."

But some analysts found Intel's (NASDAQ:INTC) outlook as still being too optimistic, given the sluggish economy and continued weakness in the PC market that may or may not improve with the launch of the new Windows 8 operating system later this year.

Intel shares jumped 3.3% to close at \$26.21, setting the pace for tech sector advance and emerging as the best performer on the Dow Jones Industrial Average (DJI:DJIA). The Dow was up 103 points.

Late Tuesday, the Santa Clara, Calif.-based company trimmed its full-year outlook as expected, and Chief Executive Paul Otellini warned of a weaker-than-expected third quarter. But in the wake of warnings from other chip industry players,

Reuters

Intel got a lift from robust sales in server chips in a still generally strong data center market. The company also appeared to be gaining share from rival AMD in the low end segments of the PC market.

Still, the PC market remains weak, and there are signs of slowing demand even in the typically strong markets like China.

Intel reiterated its upbeat view of the Ultrabook, a term referring to a new type of ultra-thin laptop computers, which the company sees making up 40% of consumer notebooks by the end of the year. The company also sees the new device shaking up the PC market, and as a challenger to Apple Inc's (NASDAQ:AAPL) popular MacBook Air.

But some analysts aren't impressed, counselling caution amid what they see as Intel's over-optimistic view of the Ultrabook and the PC market as a whole.

"While enterprise spending to build cloud infrastructure is driving a richer mix and assisting gross margins, Ultrabooks have yet to emerge as the blockbuster product Intel has touted over the last several quarters," Charter Equity's Edward Snyder said in a note.

AT&T hints at charges for FaceTime

Software developers using a pre-release version of Apple's iPhone operating system have hit a roadblock while trying to access the popular video-calling application FaceTime on AT&T's cellular network.

Snyder called the macroeconomic weakness as the "larger culprit," which he said he expects "to persist throughout the back half of the year and into the election."

Evercore Partners analyst Patrick Wang echoed this warning, saying in a note, "It's not safe to get in the water yet, as there's a chance Intel's lowered expectations may still prove optimistic and we head towards a supply / demand imbalance later this year."

"Absent an improving macro, it's hard to be constructive in a sea of negative data points," he added.

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