Apple shares skid on worries over coronavirus impact

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A man cycles past a closed Apple store in Beijing on February 8

Apple shares slumped on Wall Street Tuesday after the US tech giant warned of a bigger-than-anticipated financial hit from the coronavirus epidemic, roiling financial markets.

Shares in Apple tumbled some 2.5 percent in early New York trade, as global financial markets reacted to news of the economic impact of the health crisis.

Apple said Monday its revenue for the current quarter would be below its forecasts, and that worldwide iPhone supply "will be temporarily constrained" because of the global virus outbreak, notably in China, where Apple manufactures most of its devices.

Apple, which depends on components from Chinese suppliers and has a big market in China, has been hammered on both fronts.

"We are experiencing a slower return to normal conditions than we had anticipated," Apple said in a statement.

"As a result, we do not expect to meet the revenue guidance we provided for the March quarter."

Analysts said the news took financial markets by surprise.

"This unexpected news confirms the worst fears of the Street that the virus outbreak has dramatically impacted iPhone supply... with a demand ripple impact worldwide," said Daniel Ives of Wedbush Securities in a research note.

"While we have discussed a negative iPhone impact from the coronavirus over the past few weeks, the magnitude of this impact to miss its revenue guidance midway through February is clearly worse than feared."

The California group did not disclose how much it expected the outbreak to shave off its revenue.

Apple had forecast revenue of $63 billion to $67 billion for the second quarter to March.

Apple says it sees a slower-than-anticipated return to normal conditions in China—where in both manufactures and sells products—due to the coronavirus epidemic

'Just the beginning'

Ross Gerber of the investment firm Gerber Kawasaki said the Apple warning "is just the beginning" of the financial impact of the epidemic.

"We expect to see this from a huge amount of companies," Gerber said on Twitter. "Q1 number estimates are too high for most of the S&P big caps. So many are effected by China."

Some analysts said they believed Apple would make up for lost sales once the health crisis is over.

"The duration of the impact of COVID-19 is unknown and we believe, eventually, Apple's business will return to normal in China and the company will resume its five percent-plus revenue growth cadence," said a note from Gene Munster and Will Thompson of Loup Ventures.

"The low probability near-term risk is even though global demand is strong for Apple products, China needs to get back on its feet or the company will eventually not have adequate supply and risk losing sales."

The COVID-19 death toll now exceeds 1,800 in China, where it has infected more than 72,000 after emerging in the central province of Hubei in December.

The virus has sparked global economic jitters, with travel bans and mass quarantines inside China forcing factories to suspend operations and shops to close.

Other Silicon Valley behemoths—such as Facebook, Amazon and Google parent company Alphabet—either have limited access to the market or are blocked outright by China's internet firewall.

However, supply chains of global firms such as Apple supplier Foxconn and auto giant Toyota have also been disrupted because production facilities in China have temporarily closed.

Sportswear giants Nike and Adidas also shuttered hundreds of stores in the country this month and warned of a negative impact on their earnings.

Global markets were also hit by the Apple warning.

"Traders were downhearted about Apple's announcement," Chibagin Asset Management's Yoshihiro Okumura told AFP.

Tokyo's benchmark Nikkei 225 index closed down 1.4 percent—its fourth straight session in the red, while Hong Kong's main market was down 1.3 percent.