

Big week for Big Tech as earnings, hearings loom

25 October 2020, by Glenn Chapman



Big Tech platforms will be in focus in the coming week as the report quarterly results and hearings in Washington will allow lawmakers to step up their criticism of the companies

Big Tech is bracing for a tumultuous week marked by quarterly results likely to show resilience despite the pandemic, and fresh attacks from lawmakers ahead of the November 3 election.

With backlash against Silicon Valley intensifying, the companies will seek to reassure investors while at the same time fend off regulators and activists who claim these firms have become too dominant and powerful.

Earnings reports are due this week from Amazon, Apple, Facebook, Microsoft, Twitter and Google-parent Alphabet, whose combined value has grown to more than \$7 trillion dollars.

They have also woven themselves into the very fabric of modern life, from how people share views and get news to shopping, working, and playing.

Robust quarterly earnings results expected from Big Tech will "highlight the outsized strength these

tech behemoths are seeing" but "ultimately add fuel to the fire in the Beltway around breakup momentum," Wedbush analyst Dan Ives said in a note to investors.

The results come amid heightened scrutiny in Washington of tech platforms and follow a landmark antitrust suit filed against Google which could potentially lead to the breakup of the internet giant, illustrative of the "techlash" in political circles.

Meanwhile, Senate Republicans have voted to subpoena Jack Dorsey and Mark Zuckerberg, the chief executives of Twitter and Facebook respectively, as part of a stepped-up assault on [social media](#)'s handling of online political content, notably the downranking of a New York Post article purported to show embarrassing information about Democrat Joe Biden.

CEOs of Twitter, Facebook and Google are already slated to testify at a separate Senate panel Wednesday examining the so-called Section 230 law which offers liability protection for content posted by others on their platforms.

Business models questioned

The four giants drawing the most scrutiny—Apple, Amazon, Facebook and Google—have been wildly successful in recent years and have weathered the [economic impact](#) of the pandemic by offering needed goods and services.



Alphabet CEO Sundar Pichai, Facebook founder Mark Zuckerberg and Twitter CEO Jack Dorsey are set to testify at a Senate hearing on online liability while another panel wants to question Dorsey and Zuckerberg on their content policies

technology names," Yardeni said in a research note.

"Also, the COVID-induced tech spending enjoyed over the past six months won't likely be replicated."

Ebbing ads?

Of interest to the market short-term will likely be whether backlash about what kind of content is left up and what is taken down by online titans causes advertisers to cut spending on the platforms.



Google and Facebook dominate the lucrative online ad market, while Amazon is an e-commerce king.

Apple has come under fire for its tight grip on the App Store, just as it has made a priority of making money from selling digital content and services to the multitude of iPhone users.

Apple has seen its value hover near \$2 trillion as it has upgraded its iPhones and ramped up services during the global pandemic.

The firms have stepped up lobbying, spending tens of millions this year, and made efforts to show their social contributions as part of their campaign to fend off regulation.

Organizers of a Facebook ad boycott vowed early in the third quarter to continue their campaign, saying the social network's top executives failed to offer meaningful action on curbing hateful content.

"For the most part, tech companies know how to do this dance," said analyst Rob Enderle of Enderle Group.

At the same time, political conservatives have accused Facebook and others of political bias as social platforms step up their content moderation. President Donald Trump has threatened new regulatory measures which could impact the business models of platforms.

"They don't spend a lot of time bragging about how well they have done any more."

Ed Yardeni of Yardeni Research said the outlook for Big Tech may not be as rosy as it appears.

Pandemic punch

"For one, regulators at home and abroad are gunning to rein in some of the largest US

Economic and social disruption from COVID-19 also looms over tech firms, which benefitted early in the pandemic as people turned to the internet to

work, learn, shop and socialize from home.

"Performance will be best for those providing solutions for people working at home," analyst Enderle said.

Amazon, Google and Microsoft each have cloud computing divisions that have been increasingly powering revenue as demand climbs for software, services and storage provided as services from massive datacenters.

Amazon has seen booming sales on its platform during the pandemic, and viewing surge at its Prime streaming television service.

Enderle expressed concern that with COVID-19 cases and a lack of new stimulus money in the US, tech companies could reveal in forecasts that they are bracing for poorer performance in the current quarter.

"The second wave of the pandemic has got a lot of folks spooked," Enderle said,

"Those stimulus checks aren't going out and people are afraid of what is happening with their jobs; so that cuts spending and buying confidence."

And even though Microsoft is well positioned in a booming video game market with a new Xbox console coming in November, its arrival could be soured if people worried about money cut back on such luxuries.

© 2020 AFP

APA citation: Big week for Big Tech as earnings, hearings loom (2020, October 25) retrieved 20 October 2021 from <https://techxplore.com/news/2020-10-big-week-tech-loom.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.