



Apple's Newest iPhones Are Selling Better Than "Muted Expectations"

Description

iPhone volumes have been plateauing for a few years now, which is why **Apple** ([NASDAQ: AAPL](#)) has been trying to diversify its business into areas like subscription services. With the iPhone 11 Pro using the same overall design for the third consecutive year, expectations for this year's model have been fairly conservative due to mostly incremental updates. The Mac maker is expected to release a [redesigned iPhone with 5G support](#) next year, which will likely create a spike in demand.

The handsets that Apple released earlier this month may actually be selling better than expected.

The path to \$1.2 trillion

J.P. Morgan analyst Samik Chatterjee reiterated his overweight rating on Apple this morning, while increasing his price target on shares from \$243 to \$265. That represents over 20% upside from Friday's close and would translate into a market cap of \$1.2 trillion.

Citing supply-chain checks, Chatterjee believes that the iPhone 11 Pro and Pro Max are selling better than "muted expectations." Accordingly, J.P. Morgan is boosting its estimate of iPhone unit volumes in the third quarter and fourth quarter by 1 million and 3 million, respectively. Total iPhone shipments this year are expected to be around 187 million, according to Chatterjee's models.

"We are modestly raising our iPhone volume forecasts and expect investor sentiment on AAPL shares to improve materially given the firm's ability to drive upward revision to volume expectations," the analyst wrote in a research note to investors.

Apple no longer discloses unit volumes, so investors have to rely on third-party estimates from analysts and market researchers.

5G on the horizon

With sales going well thus far in the 2019 cycle, Apple is expected to build on that momentum in 2020

with the 5G iPhone. The Cupertino [tech giant](#) is taking it slower with 5G relative to some rivals. Waiting a year to add 5G will let the nascent wireless standard and related networks to mature, as 5G coverage in the U.S. remains inchoate.

Besides, Apple's 5G timeline was largely influenced by **Intel**'s failure to deliver a competitive 5G modem, forcing the company to [settle](#) with **Qualcomm** in order to secure chip supply for next year. There wasn't enough time to include 5G modems in the 2019 models, as mass production commenced just a few months after the settlement.

The timeline for J.P. Morgan's price target is December 2020, so the forecast does capture some of next year's 5G iPhone sales. "We expect solid consumer interest in 5G phones at the premium end of the North American market, and Apple is well positioned to drive an outsized share with its 2020 product cycle," Chatterjee said.

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evan-niu-cfa

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