



Nasdaq Bear Market: Is Apple Stock a Buy Right Now?

Description

The last week saw all major indices lose significant momentum, as macroeconomic challenges continued to weigh heavily on investor sentiment. After accounting for recent losses, the S&P 500 index is down 23% from all-time highs. Comparatively, the Dow Jones index has slumped 19.6%, while the tech-heavy Nasdaq Composite index has declined by a massive 32% from record highs.

There is a good chance for the markets to slide further, especially if recession fears come true. But it would be unwise to attempt to time the dip.

Historically, around 50% of the S&P 500's best days occurred amid a [bear market](#) in the last 20 years. Another 34% of the market's best days took place in the first two months of a [bull market](#), which is impossible to predict.

It's better to stay invested rather than time the stock market. Given these factors, let's see if you need to buy **Apple** ([NASDAQ:AAPL](#)) stock right now. A technology heavyweight and one of the largest companies in the world, shares of Apple are trading 17.4% from all-time highs right now, valuing the company at US\$2.41 trillion by [market cap](#).

The iPhone 14 will be a key revenue driver for AAPL stock

In the last few years, Apple has looked to diversify its revenue base, but the iPhone still accounts for a majority of the company's total sales. Apple recently launched the iPhone 14 line-up, and demand for the smartphone remains solid.

The iPhone is the largest-selling smartphone in the United States. Further, there are over one billion active iPhones in use globally. According to Daniel Ives, a Wedbush analyst, the long shipping times for the iPhone 14 indicate strong demand.

Ives emphasized that 240 million iPhone users are yet to upgrade their devices in the last three-and-a-half years, leading to pent-up demand, despite an inflationary environment.

A well-diversified giant

In the last three quarters, the iPhone accounted for 54% of total Apple sales. But there are several other business segments that are fast gaining traction. For example, the MacBook has a 15% share in the personal computer market in the United States. Further, the iPad is the most popular tablet in the world with a share of 31%.

Recently launched devices such as the Apple Watch and the AirPods are also raking in billions of dollars for Apple each year.

Additionally, strong device sales should act as a long-term tailwind for Apple's Services business that includes multiple subscription services such as Apple Arcade, Apple TV+, Apple Music, and Apple Care. In fact, the Services business is fast approaching US\$100 billion in annual sales and is the company's fastest-growing segment.

AAPL stock is a top long-term bet

In the first three quarters of fiscal 2022 (ending in September), Apple grew its sales by 8% year over year to US\$304 billion, while adjusted earnings rose by 10% to US\$4.86 per share. Its operating cash flow stood at US\$98 billion, while free cash flow was over US\$90 billion in this period, allowing the company to investors an annual dividend of US\$0.92 per share, translating to a forward yield of 0.60%.

Apple began paying investors a dividend in 2012, and these payouts have surged 143% in the last 10 years. Yes, its forward yield is pretty low at 0.60%, but AAPL stock has returned over 600% in dividend-adjusted gains since September 2012. Its payout ratio is less than 15%, which suggests dividends should keep increasing in the future.

Apple's stock price is also trading at a discount of 20% compared to consensus estimates.

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