The Safest and Riskiest FAANG Stocks to Buy Right Now

Description

Tech stocks are attractive investment options in recent years because of the high-growth businesses and far superior returns. The popular ones are from the United States and are collectively known as FAANG. These technology giants are Facebook, now **Meta Platforms** (NASDAQ:META), **Amazon.com** (NASDAQ:AMZN), **Apple**, **Netflix**, and Google (**Alphabet**).

Unfortunately, tech stocks are the most volatile in 2022 — the era of high inflation and rising interest rates. The S&P 500 Information Technology sector, where FAANG stocks belong, is down 22.83% year to date. Moreover, none of the Big Five has had positive gains as of this writing.

Meta (-64.28%) is the worst performer, followed by Netflix (-46.83%), Amazon (-44.52%), and Google (-33.98%). Apple (-17.60%) outperforms its peers, although the iPhone manufacturer is also in the red. Market analysts say it has been a spooky year for these big tech names, and each one faces serious challenges.

However, if you plan to take a position this year-end in anticipation of a rebound in 2023, Amazon is the safest pick. Netflix is slowly losing market share in streaming services due to stiffer competition, while Apple is in a bind due to the COVID situation in China. Alphabet's quarter-on-quarter (the third quarter, or Q3, versus the second quarter, or Q2, of 2022) declines in the top and bottom lines are concerning.

While Meta trades at a deep discount, it isn't the best buy right now. The social media giant has the highest risk level, given its big push into the Metaverse.

Focus on value and convenience

Amazon reported good results in Q3 2022, despite a challenging environment and macroeconomic headwinds. In the said quarter, net sales increase 15% to US$127.1 billion versus Q3 2021. In North America, sales rose 20% year over year to US$78.8 billion. However, net income declined 9% to US$2.87 billion from a year ago.

Andy Jassy, Amazon's chief executive officer (CEO), said customers appreciate the company's continued focus on value and convenience. He added that management is steadily lowering costs in Amazon's fulfillment network. The US$943.55 billion e-commerce giant opened a dozen new fulfillment centres globally to serve more customers.

Jassy expects management's current initiatives to bring about a stronger cost structure for the business moving forward. Amazon trades at US$92.49 per share and carries a buy rating from market analysts. Their average 12-month price target is US$140.64, or a return potential of 52.06%.

Expensive Metaverse project

Meta's most recent quarterly results reflect in the stock's underperformance. In Q3 2022, revenue declined 4% to US$27.71 billion versus Q3 2021. Notably, net income fell 52% year over year to US$4.39 billion.

Nonetheless, Meta founder and CEO Mark Zuckerberg said, "While we face near-term challenges on revenue, the fundamentals are there for a return to stronger revenue growth. We're approaching 2023 with a focus on prioritization and efficiency." He added that it should help Meta navigate the current environment and emerge as an even stronger company.

The issue against Meta is its foray into the 3D virtual world or Metaverse. It has spent more than US$100 billion on research and development, plus an enormous amount on product development. Some analysts believe Metaverse will not be profitable for another decade.

Strong business model

The comeback of tech stocks, including FAANG stocks, remains uncertain if rate hikes continue in 2023. Amazon is the safest pick because the business model remains strong compared to its sector peers.

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