



## Is Amazon Stock Ready to Break Out Again?

### Description

One of the more interesting data nuggets that I stumbled upon over the weekend as I was running through some stock screens is that **Amazon.com** ([NASDAQ: AMZN](#)) has been a market laggard among its peers over the past year. Among the five largest public U.S. companies by market cap, the leading online retailer is the only one that has failed to deliver a double-digit percentage return over the trailing 52 weeks.

Amazon's pedestrian 0.7% return over the past year is surprising. It's not even keeping up with some of the better money market funds. Starting lines matter, naturally. The stock is up nearly 16% so far in 2019, but that follows a brutal holiday quarter last year during which it shed a quarter of its value. The fact remains that over the past 365 days, the stock has been on a round trip to essentially nowhere. At least one Wall Street pro thinks that things could be about to change.

### Let's go shopping

Goldman Sachs analyst Heath Terry feels that Amazon will deliver better-than-expected financial results when it delivers its third-quarter results next week. He sees a record number of physical retail stores closing as a sign that more shoppers are migrating online. He also feels that recent Amazon moves to speed up its already quick deliveries, the expansion of Amazon Web Services' infrastructure and services, and improving momentum when it comes to online advertising will serve Amazon well in the coming quarters.

Some of these positive developments are coming at a price. The investments should eat into near-term operating profits. However, he feels that Amazon's dominant market position will let it continue to command a market premium as a no-brainer [quality growth stock](#). He is naturally sticking to his buy rating on the shares, and keeping Amazon on Goldman Sachs' Conviction List of leading recommendations. He is slightly lowering his 12-month price target from \$2,400 to \$2,350, but that still represents a hearty 35% return. Given the stock's flat performance over the trailing year, it would be the break that folks taking on the risk of holding Amazon have been waiting for.

Investors are already bracing for what could be a mixed report when Amazon announces its financial

results a week from Thursday. They see net sales rising 21.6% to hit \$68.8 billion, but squeezed margins will see the bottom line going the other way. Analysts see earnings per share falling to \$4.57 from a \$5.75 showing a year earlier. Amazon typically lands ahead of Wall Street's profit targets, but it disappointed investors with [a rare miss](#) last time out.

After four consecutive years of accelerating top-line growth — clocking bursts north of 30% in back-to-back years — business is slowing again, but most retailers and even e-tailers would love to be checking in with better-than-20% growth and a juicy profit during the seasonally sleepy third quarter. It may seem that Amazon has fallen out of favor with the market as brick-and-mortar chains pick up the cadence on their online offerings. Even its once ballyhooed Prime Video platform is being nudged to the headline sidelines lately with new attractively priced streaming video platforms launching next month. But Amazon will do just fine. It's been asleep at the wheel over the past year, but if it is about to deliver a bounce-back quarterly report next week, now would be a good time for the shares to wake up again.

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## TICKERS GLOBAL

1. NASDAQ:AMZN (Amazon.com Inc.)

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