

Weekly Preview: Earnings To Watch This Week 1-22-23 (INTC, MSFT, TSLA)

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As the battle between positive and negative news cycles rage on, it's fair to ask whether all of the bad news has been priced into the market. Investors who are on the sidelines of this bear market and waiting for an opportunity to jump in desperately want to know whether stocks have fully bottomed. That answer may depend on who you ask and which metrics are being used. The glass-half-full mindset of the bulls appears to be the popular approach.

Heading into the new year, roughly 1% of retail investors planned on liquidating their holdings in 2023, [according](#) to a survey from Finimize which polled 2000 global investors. The same survey revealed that 65% of retail investors planned to stay in the market and maintained their holdings, while 29% planned to add to their existing holdings. At least for the first three weeks of the year the bulls are winning the battle. On Friday that proved true again.

The Dow Jones Industrial Average rose Friday, gaining up 330.93 points, or 1%, to end Friday's session at 33,375.49. Among the Dow's notable gainers were Apple ([AAPL](#)), Salesforce ([CRM](#)), Microsoft ([MSFT](#)) and Walt Disney ([DIS](#)). The S&P 500 added 73.76 points, or 1.89%, finishing at 3,972.61, while the tech-heavy Nasdaq Composite gained 288.17 points, or 2.66%, to close at 11,140.43. The Nasdaq was powered by, among others, a better-than 8% rise in shares of Netflix ([NFLX](#)) and an 4.91% gain in Tesla ([TSLA](#)).

Fridays gains reverses a down day on Thursday which pushed the Dow lower for the year. The market continues to grapple with what the Federal Reserve is likely to do at the policy meeting in early February. The Fed raised interest rates seven times last year, including 75-basis-point hikes on four consecutive occasions. Investors remain at the mercy of the Fed and the policy decisions used to battle high inflation. However, with the average price target for the S&P 500 being 4,031, Wall Street analysts seem pretty confident that things can turn around in the back half of 2023.

The main question heading into the week is whether this recent three-week positivity will continue, particularly as Big Tech earnings comes into focus. In the meantime,

while it's still early in the Q4 earnings reporting cycle, the guidance provided so far have been less bad than feared, suggesting some level of confidence that companies can navigate inflationary headwinds. Here are the names to keep an eye on for this week.

Microsoft (MSFT) - Reports after the close, Tuesday, Jan. 24

Wall Street expects Microsoft to earn \$2.30 per share on revenue of \$52.99 billion. This compares to the year-ago quarter when earnings were \$2.48 per share on \$51.73 billion in revenue.

What to watch: Although the market remains broadly positive on Microsoft, the company's recent layoff announcement is the latest sign that a recession may be imminent. On Wednesday [Microsoft said](#) it would reduce its global headcount by 10,000 employees and take a \$1.2 billion charge related to the job cuts in its fiscal second quarter, impacting the earnings by 12 cents per share. "It's important to note that while we are eliminating roles in some areas, we will continue to hire in key strategic areas," said CEO Satya Nadella in a letter to employees. With concerns about rising inflation, rising interest rates and slower tech spending, the software giant suffered an almost 30% decline in 2022. However, the company's fast-growing Azure cloud platform and the Intelligent Cloud business remains the cornerstone to the business and its long-term success. Azure and cloud services revenues are growing north of 40% year over year, while profit margin is close to 45%. These growth trends are expected to continue into 2023. Even when factoring tech spending headwinds, Microsoft carries a strong balance sheet with roughly \$100 billion in cash reserves and another \$75 billion in annual operating cash flow. On Tuesday, the company's guidance will gauge how confident the management feels about its growth potential and the company's ability to navigate through margin headwinds will be key to the near-term stock performance.

Tesla (TSLA) - Reports after the close, Wednesday, Jan. 25

Wall Street expects Tesla to earn \$1.14 per share on revenue of \$24.22 billion. This compares to the year-ago quarter when earnings came to 85 cents per share on revenue of \$17.72 billion.

What to watch: Is now a good time to buy Tesla stock? That's been the prevailing question as shares of the company last month plunged to 52-week lows of around \$101. While Tesla has not been the only high-growth tech stock to fall during the recent bear market, its decline in appears more pronounced when compared to other high-growth tech stocks, falling 70% in 2022. However, since bottoming out at \$101, the stock has been on fire, rising as much as 34% to \$135. The company recently

released its fourth quarter [production and deliveries](#) total, which arrived lighter than expected. The company delivered 405,278 vehicles to customers in the last three months of the year, missing the consensus estimate of 420,760 that analyst forecasted. The delivery miss raised more concerns about the level of competitive demand pressure Tesla has begun to face even as it ramps up production capacity at its various plants. And it hasn't helped that many analysts believe that CEO Elon Musk's purchase of Twitter, where he currently serves as CEO, will stretch him too thin to get Tesla back on track. However, Tesla has shown with its product-pricing flexibility that it can navigate these sorts of headwinds. The company's increased focus on its growth strategy, namely production and profit margins, have been a major factor in the company's historical success. These factors will be the main driver of the stock for the just-ended quarter and the rest of the year.

Intel ([INTC](#)) - Reports after the close, Thursday, Jan. 26

Wall Street expects Intel to earn 20 cents per share on revenue of \$14.48 billion. This compares to the year-ago quarter when earnings were \$1.09 per share on revenue of \$19.53 billion.

What to watch: With an almost 50% decline in the past twelve months, Intel stock has been one of the major disappointments in the semiconductor sector. Driven by prolonged chip supply shortages, risk of a recession and weakening demand in datacenter and consumer products, Intel stock has fallen 40% and 25% in the respective nine months and six months. However, with a forward P/E of only 15 which is inline with its historical average, now may be an opportunity to add Intel for the long term. According to Mercury Research, during the past three months, Intel has regained some market share in consumer computing (PC and Laptops) compared to rivals AMD ([AMD](#)) and Nvidia ([NVDA](#)). "We expect Intel to continue taking away desktop and notebook market share from AMD because of the recent Raptor Lake launch," noted the report. This suggests that rumors of Intel's death have been exaggerated. Not only is the chip giant alive and kicking, it is deploying its massive cash stockpile to regain its lead in chipmaking technology. With its dividend yield of 5%, patient investors who are willing to allow the company time to take back semiconductor market leadership can be rewarded. That said, while Intel has been showing promising results, the company on Thursday must deliver another top and bottom line beat, while selling the upside potential of its recent manufacturing plants.