Apple market valuation touches $3 trillion

Nick Beams
4 January 2022

A measure of the extent to which Wall Street has benefited from the ultra-cheap money poured into the financial system by the US Fed and other major central banks since the start of the pandemic is provided by Apple.

On Monday, the first day of trading for 2022, Apple shares rose to $182.88 at one point in the afternoon giving it a market capitalization of $3 trillion—the first time any company has reached that level.

The share price then fell back slightly before the close and then dropped again yesterday. But it is considered to be only a matter of time before it finishes a trading day at the $3 trillion level. According to Bloomberg, of the 45 analysts who cover Apple, some 35 rate it a buy.

The rise and rise in the Apple share price has been truly extraordinary. Since the lows recorded in March 2020, when Wall Street fell off a cliff because of fears over the pandemic and the wildcat walkouts and strikes by workers demanding safety measures, its share price has tripled, adding about $2 trillion in market capitalization.

The total divorce of its value from the underlying real economy can be seen in the fact that its market capitalization is now bigger than the gross domestic product of most countries, including the UK, Canada and Australia. At $3 trillion, it is more than one eighth the size of US GDP of around $22.94 trillion.

The result, a product of speculation, is even something of a shock for writers in the financial press, who so often function as market boosters. As the *Wall Street Journal* noted, Apple is now "worth $1 trillion more than it was nine months ago, yet the tech giant's prospects haven't changed that much in that time."

The *Financial Times* also published data pointing to Apple's meteoric rise. In August 2018 it became a $1 trillion company and just two years later became the first company to be valued at $2 trillion. At the end of October, it lost the title of the world's most valuable company to Microsoft but then quickly regained it by adding half a trillion dollars to its market value since November 15—less than two months ago.

In the past five years, Apple's stock price has increased by 500 percent, well ahead of the benchmark S&P 500 index which has increased by around 105 percent in that time. While the company makes products and introduces technological innovations that consumers and corporations find useful, this has little to with the rise in its stock price.

Apple is at the centre of a speculative boom that started in response to bailout of the markets by the US Fed in the wake of the 2008 crisis under its quantitative easing program and which deepened in response to the market crash of March 2020 when the Fed doubled its holdings of financial assets to more than $8 trillion, virtually overnight.

One of the main ways in which stock prices have been boosted is through share buybacks. According to research by economist William O. Lazonick, between 2010 and 2019 spending by all publicly traded companies on stock buybacks totalled $6.3 trillion. When the payment of dividends is taken into account 100 percent of all corporate profits have gone into payments to shareholders.

Up until 1982 share buybacks were illegal as they were considered to be market manipulation. Today they are regarded as core financial activity.

Apple has been one of the most aggressive share purchasers, spending $444 billion on share buybacks from October 2012 to June 2021, equivalent to 87 percent of its net income over that period. An additional $114 billion has been paid out as dividends over the same period, equivalent to 22 percent of net income. The maintenance of interest rates at historically low levels by the Fed has meant that in Apple's case it has used borrowed money to finance share buybacks to boost its stock price.

The Apple surge, however, is only the most egregious expression of the speculative mania that has developed since the start of the pandemic. As the FT noted in an article on "prospering in the pandemic" two years after the emergence of COVID-19, a "jarring disconnect has emerged between the human toll and the record valuations of many large companies."

There is, of course, a stark contrast between the death and illness confronting millions and the increasing fortunes of the market giants. But rather than a disconnect there is a direct link between the two phenomena. The enormous sums of money pumped into the markets by the Fed and other central banks in response to the pandemic has provided the basis for the orgy of speculation, of which the main beneficiaries have been Apple, Microsoft and Alphabet, the parent company of Google and Tesla.

Apple increased its market value by 123 percent in 2021, Microsoft by 110 percent, to record a market value of $2.5 trillion and Alphabet increased its market value by 108 percent to reach a market value of $1.9 trillion by the end of last year. Amazon recorded an 85 percent increase in market value, sending its capitalization to $1.7 trillion.

The biggest rise of all was by Tesla. It recorded a 1311 percent increase in market value to send its total capitalization to $1.1 trillion. As a recent *Wall Street Journal* Article noted, Tesla gained almost $200 billion in market value within four days in late December—more than the equivalent of the total market capitalization of Ford and General Motors combined.

This orgy of speculation, literally feeding off death, is the driving force behind the decisions of the Biden administration, replicated by governments around the world, to abandon any remaining public health measures, to ensure that the flow of profits to the corporations is maintained and the pandemic profiteers can continue their plunder.