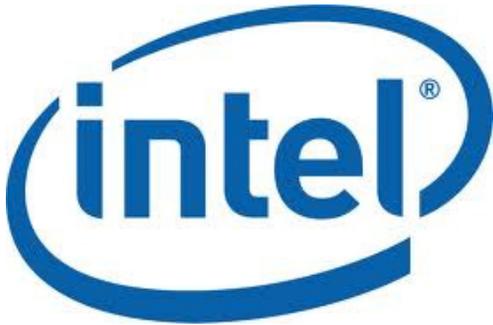


Intel: Beyond The Floods, Street Frets On The Economy

Eric Savitz, 12/12/2011



[Intel](#) this morning [knocked the wind out of the technology sector](#), [cutting its revenue guidance](#) for the fourth quarter by about \$1 billion due to reduced demand as a result of the disk-drive shortage created by the recent floods in Thailand.

In some ways, the sharp downdraft in both Intel's shares and those of other players in the PC food chain is a little surprising. After all, [Western Digital warned back in October](#) that it would sharply reduce production in the December quarter as a result of the floods, and multiple analysts [have warned that PC production would be constrained as a result](#). The fact that Intel, which still supplies microprocessors to most of the world's PCs, would feel the pain from reduced PC production given the mammoth shortfall expected in disk-drive production seems fairly obvious.

Intel insists that the conditions in Thailand are the only issue here, but there are some on the Street who worry that there is something else going on here – that the bigger risk to Intel's results in 2012 could actually be the continued softness in the global economy.

Charter Equity Research analyst Edward Snyder this afternoon cut his rating on Intel shares to Market Perform from Buy, specifically citing his worries about how the company will be affected from weakening economic conditions.

“The inability to get hard disk drives was the root cause for weak microprocessor demand into PCs, but the chorus of slowing demand throughout the semiconductor food chain isn't reassuring,” he writes in a research note. “Nearly every semiconductor company that reported in October pointed to slowing demand for merchant market (horizontal) products for their reductions in guidance. Even Intel talked of ebbing demand in PC markets. So while the roots of today's problem were the floods in Thailand constraining supply, we believe it is only a matter of time before the general slowdown we are seeing for electronic components at other manufacturers shows up at Intel.”

I'd note that last week there were earnings warnings from [Texas Instruments](#), [Altera](#) and [Lattice Semiconductor](#).

In Monday's regular session, Intel fell \$1.01, or 4.0% to \$24.