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Ahead Of the Tape

—Today's Market Forecast—

By JUSTIN LAHART

Techs' Bad Weather

■ Most tech companies' headquarters aren't in the path of any hurricane, and energy prices represent only a fraction of their costs. Some of the companies' earnings could get buffeted nonetheless.

On the face of it, third-quarter results from tech companies look to be in good shape. Analysts expect earnings will be

Riding High

Dow Jones
U.S. Technology Index



Source: Reuters via
WSJ Market Data Group

13% ahead of the year-ago quarter, says Thomson First Call—better than the 12% rise expected at the quarter's outset. What's more, fewer companies than usual have been warning that results will come in below expectations.

All that could change soon.

According to the Commerce Department, tech companies receive 40% of their

orders in the third month of any quarter. For some tech outfits, the end of the quarter is especially vital: Public companies won't approve major tech purchases until late in the quarter, when they're sure their results are going to be good enough for Wall Street.

"If you think that there's some uncertainty about hitting your earnings target at the end of the quarter, you're going to do things to ensure that you hit your target," says Duke University business professor Campbell Harvey.

Even before Hurricane Katrina hit, chief financial officers were becoming more pessimistic about the U.S. economy, according to survey work done by Mr. Harvey with colleague John Graham. Year-ahead plans for spending on equipment were so modest they appeared barely enough to keep up with replacement costs.

Hurricane Katrina's effect on consumer confidence and rising energy prices probably only serve to increase company uncertainty. There is Hurricane Rita to contend with as well.

As a result, even finance chiefs at companies whose third-quarter earnings will make the grade may hesitate to approve costly projects until it is clear that the economy really is ship-shape.

The result: Many tech companies may find that the late-quarter orders they were depending on have evaporated, putting their ability to meet analysts' earnings and sales estimates at risk.

"Based on all the ingredients here, we're going to have a lot of earnings misses," says Fred Hickey, editor of High-Tech Strategist newsletter.

Investors who have been lulled into the belief that tech is storm-proof may be in for a hard blow.