

Amazon.com, Inc. (AMZN)

Equity research update | Prepared 2 October 2026 | Previous note 14 September 2026

WATCHLIST

Reaffirmed. The level held, but the support it rested on has moved overhead

Last close (1 Oct 2026)	\$248.23
Change since the 14 Sep note	-3.3%
P/E on annualised clean Q2 EPS	~31.8x
Probability-weighted fair value	\$285.90
Implied upside	+15.2%
Price at which the case pays	\$238

What Has Moved Since the Last Note

The September note named a daily close inside \$245-252 as the point at which Amazon becomes buyable. That has now happened, and not for a single tick. Since 15 September the shares have closed inside or just below that band on most sessions, with a low close of \$245.96 on 16 September, and they ended 1 October at \$248.23, 3.3% below the \$256.78 of the last note and 13.6% below the \$287.20 high of 3 August. A literal reading says the condition is met. This update concludes that it is not enough, and the reasons are specific.

First, the band was defined by structure that no longer exists. In mid-September the fifty- and hundred-day averages had converged at \$255.25 and \$255.41 and the band sat just beneath them as a shelf. Recomputed on the current series, the fifty-day is now \$256.19 and the hundred-day \$253.40, both above the price, and the twenty-day has rolled over to \$252.01. The previous note also said that a close below \$249.58 would mean the shelf had failed and would open the \$240 area where the 200-day average runs. That close came on 15 September. The averages that were support are now resistance overhead.

Second, the risk the band was meant to pay for has grown again. On 30 September Micron, one of the three large memory suppliers, reported DRAM prices up by a high-teens percentage on the quarter and said it expects memory supply and demand to be much tighter in 2027 and 2028 than in 2026, with most of its 2027 high-bandwidth memory already contracted. Over the same fortnight the Federal Reserve raised rates on 16 September and the ten-year Treasury closed at 5.24% on 1 October, after touching about 5.33% intraday, against 4.96% when the last note was written. Amazon is financing a capital programme it does not currently fund from operating cash flow, and both the component cost and the cost of money moved against it.

Third, and in the other direction, the company has kept signing the long-dated commitments that a business only signs when it expects the demand to be there: a \$1 billion-plus multi-year custom-silicon agreement with Synopsys, a 20-year nuclear power purchase agreement at Calvert Cliffs, and a generator supply arrangement with Generac valued at up to \$8 billion. It has also been reported, though not confirmed by the company, that Amazon is seeking to move about \$8 billion of Nvidia Grace Blackwell chips into a separately financed vehicle and lease them back. Third-quarter results are due on 29 October, twenty-seven days away, and they carry the AWS growth rate and the first view of 2027 capital expenditure that this coverage has been waiting for.

Do the Published Levels Still Hold?

Condition published 14 Sep 2026	Status at 1 Oct 2026	Assessment
A daily close inside \$245-252, where the fifty- and hundred-day averages converged	Closes of \$245.96 to \$249.67 on most sessions since 15 September; \$248.23 on 1 October	Met on price, but its anchor has gone. The averages now sit at \$253.40 (100-day) and \$256.19 (50-day), above the price, so the band is no longer a shelf
A close below \$249.58 would mean the shelf failed and open the \$240 area	Closed \$248.42 on 15 September; low close \$245.96	Triggered. The 200-day average, recomputed, is \$241.22, 2.9% below the price

Condition published 14 Sep 2026	Status at 1 Oct 2026	Assessment
A second consecutive AWS quarter at or above 35% with margin near 39% would justify a Buy	Third-quarter results due 29 October	Untested; resolves in this window
2027 capital expenditure guided at or below the 2026 level would move to Buy; materially above \$220bn on component costs would move to Avoid	No guidance yet; supplier evidence points to memory costs rising into 2027-28	Untested, with the evidence leaning toward the Avoid side of the condition
Probability-weighted fair value \$294.36	Restated at \$285.90	Cut 2.9% for a higher discount rate and more weight on the bear case; upside 15.2% against 14.6%

All moving averages and the average true range were recomputed from a 300-session daily series ending 1 October 2026. In the previous note the fifty- and hundred-day stood at \$255.25 and \$255.41, the 200-day at \$239.80 and ATR(14) at \$6.22.

Company developments

Nothing in the period changes the business Amazon is building, and no single item rises to the level of altering the earnings path on its own. The material items cluster around one theme, which is how the capital programme is being contracted and paid for. The most notable minor items were the Prime Big Deal Days event set for 6-7 October, a new Kindle lineup on 1 October, and the election of the former Mandiant chief executive Kevin Mandia to the board on 8 September.

Development	Status and date	What is known	What is forecast (and by whom)	Impact
Debut sterling bond	Priced 9 Sep 2026	£4.25bn across four tranches of 3 to 19 years, roughly 2.5 times covered	None; follows a \$37bn US dollar deal in March	Medium
Chip sale-and-leaseback vehicle	Reported 1 Oct 2026; not confirmed by Amazon	Reported: about \$8bn of Nvidia Grace Blackwell chips in more than a dozen US data centres would move to a vehicle financed with debt and up to 10% equity, leased back to Amazon	No terms or timing disclosed; any lease cost is unknown	Medium
Long-dated infrastructure commitments	17 Sep and 30 Sep 2026	Generac generator supply valued at up to \$8bn, about \$2.4bn of initial deliveries in 2027-28; 20-year Calvert Cliffs PPA covering 690 MW including 190 MW of uprate, a \$3bn Constellation investment; Synopsys multi-year IP deal above \$1bn	Calvert Cliffs uprate due 2030-32 (Constellation)	Medium
Anthropic listing	Confidential filing reported 1 Jun 2026; listing not yet priced	Amazon carried the stake at \$190.4bn at 30 June	Listing timing and valuation are reported only, not confirmed	Medium
21 Air suspension	13 Sep 2026; preliminary investigation report issued	Amazon suspended the carrier after the fatal Miami runway overrun	Investigation outcome unknown	Low
Prime Big Deal Days; Kindle lineup; \$1bn community fund	6-7 Oct event; 1 Oct; 2 Oct	Second Prime event of the year confirmed; new devices; \$1bn over five years for data-centre communities	None	Low

Status and dates from company announcements, regulatory filings and established press. Reported items are not confirmed by the company and carry no weight in the verdict.

The financing items deserve a sentence more than their size suggests. A first sterling issue and a reported plan to finance chips through a separate vehicle are both sensible treasury moves for a company spending roughly \$220 billion this year, and neither is a sign of stress for a borrower of Amazon's quality. They are, however, evidence that the gap between operating cash flow and capital spending is being filled from the outside, through more channels, at a time when the price of that money is rising. A leaseback moves the cost from the capital line to the operating line rather than removing it.

Without these items the verdict and levels would be the same; they reinforce the existing reason for caution rather than adding a new one.

The supplier contracts point the other way. Generac's initial deliveries run through 2027 and 2028 and the Calvert Cliffs power arrives from 2030, so Amazon is committing to a build-out that extends well past the current year. That supports the growth case and the backlog. It also makes it harder to believe that 2027 capital expenditure falls below the 2026 level, which is one of the two conditions this coverage set for a Buy.

Prior items: the Qualcomm server-chip arrangement of 3 September stands as described in the last note, with no new disclosure; Meta's consumer agent remains a long-run competitive question with no new evidence of share shift.

The Memory Read-Through, Updated

The last note cut fair value because evidence from handset makers suggested memory inflation had not peaked. The evidence now comes from a supplier and is stronger. Micron reported record fiscal fourth-quarter results on 30 September, said DRAM pricing rose by a high-teens percentage sequentially, guided its next quarter to revenue of about \$61.5 billion at a gross margin near 86%, and said it expects supply and demand to be much tighter in 2027 and 2028 than in 2026, with both DRAM and NAND supply constrained. Most of its 2027 high-bandwidth memory supply is already under agreement. When the seller says the market will be tighter for two more years, the buyer's cost is unlikely to fall in the first of them.

This matters for Amazon in one specific place. In July the company raised its 2026 capital expenditure outlook to roughly \$220 billion and attributed the increase to memory prices rather than to more capacity. The base case here assumes capital expenditure plateaus in 2027. The bear case assumes memory keeps it above \$220 billion. Micron's guidance does not settle the question, because Amazon has not yet guided 2027, but it makes the bear premise more likely than it was a fortnight ago. Three points of probability move from bull and base into bear, and the base multiple is trimmed from 32 to 31 times to reflect a ten-year yield that is 28 basis points higher. Scenario earnings are unchanged.

Valuation

At \$248.23 across roughly 10.89 billion diluted shares, Amazon is valued near \$2.70 trillion. Second-quarter reported earnings of \$5.75 per share included about \$53.4 billion of non-operating pre-tax income, mostly the revaluation of the Anthropic stake. At the quarter's 22.6% effective tax rate that is about \$41.3 billion after tax, leaving clean earnings near \$1.95 per share. That figure is this analysis's own calculation from disclosed inputs, not a company measure. Annualised at \$7.80, it puts the shares at about 31.8 times. On the base case's 2027 clean earnings of about \$9.50, also this analysis's estimate, the multiple is about 26 times.

Metric	14 Sep 2026	2 Oct 2026	Comment
Share price	\$256.78	\$248.23	-3.3%; 13.6% below the 3 August high
Market capitalisation	~\$2.80tn	~\$2.70tn	~10.89bn diluted shares
P/E on annualised clean Q2 EPS	~32.9x	~31.8x	Our calculation; Q2 seasonality flatters the annualised figure
P/E on base-case FY27 clean EPS	~27.0x	~26.1x	Our estimate of \$9.50
Q3 consensus (due 29 Oct)	n/a	EPS ~\$1.90; revenue ~\$204.6bn	Consensus estimates
FY2026 cash capex outlook	~\$220bn	~\$220bn	Raised in July on memory prices, not capacity
Free cash flow (TTM)	-\$7.6bn	-\$7.6bn	No new reported data until Q3
Consensus analyst target	\$323.26	\$321.63	59 analysts; 56 Buy, 3 Hold, no Sell; 29.6% above the price
Probability-weighted fair value	\$294.36	\$285.90	Upside 15.2%, from 14.6%

Price of record is the 1 October 2026 close. Clean EPS, FY27 EPS and fair values are this analysis's own calculations; consensus figures as of 1 October 2026.

The segment view still gives the bull case its strength. AWS at a \$169 billion run rate, growing 37% at a 39.3% operating margin, produces roughly \$66 billion of annualised operating income, and on cloud-peer multiples that segment alone accounts for a large part of a \$2.70 trillion market value. North American and international retail and an advertising business growing 26% are carried at a modest residual. That argument is stronger at \$248 than at \$257. What it does not answer is the cash question, which is the one the market has been pricing since August.

Macro conditions that bear on this business. Two variables drive the case and both have moved against it since mid-September. The first is the cost of debt. With trailing free cash flow negative against roughly \$220 billion of capital expenditure, the marginal dollar of the build is borrowed, so the rate Amazon pays feeds straight into the return on the programme. The Federal Reserve raised rates on 16 September, futures put the chance of a further move at the 27-28 October meeting at about 39%, and the ten-year closed at 5.24% on 1 October, close to its highest level since 2002. August core PCE inflation held at 3.0%, and September's ISM prices-paid index jumped to 77.9. The second is the consumer, because North American retail and the advertising business on top of it depend on discretionary spending. The Conference Board's confidence index fell to 81.9 in September, its lowest since 2014, and its expectations component sat at 63.6. The labour market is not the problem, with initial claims at 197,000, but households report that prices and fuel are squeezing them. Prime Big Deal Days on 6-7 October will be the first read on that squeeze in Amazon's own numbers, and it falls in the fourth quarter.

Sentiment

The sell side remains almost unanimous. Of 59 analysts, 56 rate the shares a Buy and three a Hold, with no Sell ratings and an average target of \$321.63. In the period, Goldman Sachs added Amazon to its US conviction list on 1 October with a \$375 target, citing AWS capacity demand. Rosenblatt raised its target to \$360 from \$335 on 30 September, and Bank of America and Bernstein held at \$320, Pivotal at \$333 and Wells Fargo at \$338. Wedbush argued on 1 October that AI tools will help Amazon take a larger share of advertising budgets. Company filings in the period were routine: the director election, Form 3 and Form 4 ownership statements, the sterling bond documents and an exchange registration of a class of securities.

Institutional positioning is **Mixed** (high confidence), as of 30 June 2026, filings through 19 August 2026. Reported holdings among active managers show a small net reduction of about 0.6% of reported shares over four quarters, with quarterly flows swinging between a modest reduction and a modest addition and no direction. The register is broad and two-sided, with 61 managers adding and 56 cutting; T. Rowe Price reduced and Capital Group added. Active managers' share of the register has fallen from 18.5% to 15.3%. Based on reported holdings filed by the cutoff. Late filers are not included, and passive, strategic and mixed holders are left out of the flow measure. The read predates the September weakness and does not reflect it.

Twenty-nine points of gap between the consensus target and the price, with no analyst willing to rate the shares a Sell, describes a market setting the price on a different question from the one analysts are answering. The analysts are answering a growth question, and on growth Amazon is hard to fault. The price is answering a cash and cost-of-capital question, and that question got harder in September.

Risks

Risk	Probability	Severity	Change since 14 September
Memory prices extending elevated capex into 2027 and beyond	High	High	Worse. A major supplier now guides supply tighter through 2028
Negative free cash flow against ~\$220bn of capex	High	Medium	Unchanged in fact; the financing cost is higher and the funding is spreading to new channels
Higher-for-longer rates compressing the multiple	Medium	Medium	Newly itemised. A Fed hike on 16 Sep; the ten-year above 5.2%
A pause in AI demand slowing enterprise cloud spending	Medium	High	Unchanged; the \$496bn backlog is the principal mitigant
Consumer slowdown hitting retail and advertising	Medium	Medium	Worse. Confidence at its lowest since 2014

Risk	Probability	Severity	Change since 14 September
Earnings quality: the Anthropic gain is non-cash and reversible	High	Low	Unchanged; a listing would set a market mark in either direction
Competition in product discovery from AI agents	Medium	Medium	Unchanged
Regulatory exposure across marketplace and cloud	Medium	Medium	Unchanged; FTC Prime settlement payments continuing
Air network disruption from the 21 Air suspension	Low	Medium	Unchanged

Probability and severity are this analysis's judgement over a one-to-two-year horizon.

Technical Position

The convergence the last note described has resolved downward. The price has lost the shelf at \$255, sits below the twenty-, fifty- and hundred-day averages, and the fifty-day has crossed back above the hundred-day, which means the recent decline has come after a period of higher prices rather than from a base. The MACD line is negative and below its signal, and the relative strength index has eased to 44.2, neutral rather than oversold. Volume is lower than it was, which says the selling is drift rather than distribution. The 200-day average at \$241.22 is the next support of substance and the price is 2.9% above it.

Indicator (1 Oct 2026)	Value	Reading
Close	\$248.23	13.6% below the 3 August high of \$287.20
SMA20 / EMA20	\$252.01 / \$251.78	Price 1.5% / 1.4% below
SMA50 / EMA50	\$256.19 / \$253.48	Price 3.1% / 2.1% below; SMA50 was \$255.25
SMA100 / EMA100	\$253.40 / \$250.90	Price 2.0% / 1.1% below; SMA100 was \$255.41
SMA200 / EMA200	\$241.22 / \$244.31	Price 2.9% / 1.6% above; SMA200 was \$239.80
RSI(14)	44.2	Neutral, drifting lower; was 48.9
MACD / signal / histogram	-2.49 / -2.12 / -0.37	Negative and below signal; was -0.84 / 0.27 / -1.11
ATR(14)	\$5.66 (2.3% of price)	Volatility lower; was \$6.22
Volume, 20-day vs 50-day average	34.9m vs 40.0m	Participation 12.9% lower
52-week range	\$196.00 - \$287.20	Price in the upper half

Indicators computed from 300 completed daily sessions, 24 July 2025 to 1 October 2026, from a single split-adjusted series. Distances measured against the 1 October close of \$248.23.

For entry timing only: the zone from \$236 to \$241, between the 200-day average and one average true range beneath it, is where the long-term trend would be tested. It coincides with the price at which the probability-weighted fair value offers a 20% margin. Technicals inform timing and do not set the rating.

Scorecard

Criterion	Weight	Score	Basis
Business quality	15%		9/10 Three strong franchises: AWS, retail and a 26%-growth advertising business (unchanged)
Financial strength	11%		6/10 Negative free cash flow now funded through new bond markets and, reportedly, chip leasebacks (was 7)
Competitive advantage	13%		9/10 Trainium, Graviton, the Qualcomm arrangement and a Synopsys custom-silicon IP deal (unchanged)
Management	11%		8/10 AWS reacceleration is genuine; headline EPS still leans on a mark-to-market gain (unchanged)
Growth potential	16%		9/10 AWS +37% with a \$496bn backlog; power and generator supply contracted into 2028 (unchanged)
Valuation	16%		6/10 ~31.8x annualised clean earnings; price and fair value fell together again (unchanged)
Risk (10 = lowest risk)	13%		5/10 Memory tightness now guided through 2028 and the ten-year above 5.2%, held at 5 having been cut last time (unchanged)
Technical setup	5%		4/10 Below the 20-, 50- and 100-day averages; MACD negative; holding above the 200-day (was 5)

Scored 1-10, where 10 is always best, including Risk. Weights are unchanged from the previous note so the totals compare directly. The previous note scored 75 on an unrounded 74.7. Two factors move: financial strength from 7 to 6 and technical setup from 5 to 4. Unrounded total 73.1. The previous note already scored Risk on this convention, so no restatement was needed.

Overall Investment Score: 73 / 100

Risk at 5 means a moderately elevated risk profile, and the Risks section describes the same thing: two High-probability items on the cash side, both worsening, set against a business with no solvency question and a contracted backlog. The score holds at 5 rather than falling, because the last note already cut it for the same direction of travel and the business itself has not become riskier, only the price of funding it.

Scenario Analysis

Scenario	Prob.	Earnings path	Fair value	Conditions
Bull	24%	FY27 clean EPS ~\$11.00	\$374	AWS sustains 35%+ with margin near 40%, advertising compounds, memory pricing peaks in 2027 and free cash flow turns positive; multiple near 34x
Base	44%	FY27 clean EPS ~\$9.50	\$294.50	AWS moderates toward 30%, operating leverage continues, capital expenditure plateaus near \$220bn rather than falls; multiple near 31x with the ten-year above 5%
Bear	32%	FY27 clean EPS ~\$8.00	\$208	An enterprise AI spending pause, memory keeps capex above \$220bn through 2027, margin compresses and negative free cash flow extends; multiple de-rates toward 26x

Probabilities sum to 100%. Probability-weighted fair value \$285.90, 15.2% above the 1 October close. Earnings exclude non-operating investment gains and are this analysis's estimates. Previously 26/45/29 at 32x base, \$294.36.

Recommendation: Watchlist (reaffirmed)

The rating is unchanged and the reasoning behind it has changed. In September the question was whether a one-session touch of the band counted. It did not, and the answer was easy. This time the price has spent two and a half weeks in the band, which is a much better test, and the honest finding is that the level was met while the case for buying at it was weakened by what happened around it.

The band existed for two reasons: it sat on converging averages that looked like support, and it priced the shares at a margin over fair value that compensated for the cash-flow question. The averages have since moved above the price and

turned into resistance. And fair value has been cut again, to \$285.90, for the same reason as last time, so the margin over it has improved only from 14.6% to 15.2%. A Buy here would rest on the base case alone, which offers about 19%, while the bear case at \$208 is 16% below and now carries a third of the probability. That is not enough reward for a decision that resolves in four weeks on a number Amazon has not yet given.

The level at which the shares become interesting is **\$238**, inside the \$236-241 zone around the 200-day average. At that price the probability-weighted fair value offers a 20% margin, which is what this coverage has asked of the name since August. The other route is the results on 29 October: AWS growth at or above 35% with the margin near 39%, alongside 2027 capital expenditure guided at or below the 2026 level, would justify a Buy at the prevailing price. Either is a valid entry; the \$238 level assumes no change in the earnings case and should be read again after the results.

What would change the view	Direction
A second consecutive AWS quarter at or above 35% growth with margin near 39%, reported on 29 October	To Buy
2027 capital expenditure guided at or below the 2026 level, indicating memory costs have peaked	To Buy
A fall to about \$238, where probability-weighted fair value offers a 20% margin and the 200-day average is tested	Becomes buyable
AWS growth below 30%, or free cash flow deteriorating further without a margin gain	To Avoid
2027 capital expenditure guided materially above \$220bn on component costs rather than capacity	To Avoid
Off-balance-sheet chip financing extended at scale, shifting the build cost into operating lease expense	Negative
A sustained further rise in long-term yields alongside weakening consumer spending	Negative

No cut-loss or take-profit levels are published, because the rating is not a Buy and no position is held.

Final Verdict

Not yet, though the gap is narrower than the rating makes it sound. Amazon has done what this coverage asked of its price, falling to \$248 and staying there. What it has not done is answer the question the price was meant to pay for. The capital programme still runs ahead of operating cash flow, one of the largest memory makers is now guiding tighter supply into 2028, and the funding is being raised in more places at a ten-year yield above 5.2%. Each fortnight the price falls, the fair value falls with it.

The bull case is unchanged and remains among the best in large-cap technology: AWS growing 37% with a widening margin, a \$496 billion backlog against a \$169 billion run rate, and power, generators and custom silicon contracted years ahead. Fifty-six of 59 analysts rate it a Buy. The disagreement is not about the quality of the business but about how much of its next two years of cash is already spent.

The resolution is dated. On 29 October Amazon reports, and the AWS growth rate and the first view of 2027 capital expenditure will either confirm the bull case or the bear premise. Until then, \$248.23 buys an excellent business at a fair price with an open question about cash. At \$238, or after a clean answer on 29 October, the same business would be worth owning.

Sources

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- Institutional positioning: Q2 2026 13F holdings read, quarter ended 30 June 2026

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