

Amazon.com, Inc. (AMZN)

Equity research update | Prepared 14 September 2026 | Previous note 25 August 2026

WATCHLIST

Reaffirmed — the named level was touched, then reclaimed

Last close (11 Sep 2026)	\$256.78
Change since the 25 Aug note	-2.0%
P/E on annualised clean Q2 EPS	-32.9x
Probability-weighted fair value	\$294.36
Implied upside	+14.6%

What Has Moved Since the Last Note

On 10 September Amazon traded at \$249.58, which is inside the \$245-250 band the previous note named as the level at which the shares would compensate for their cash-flow question. It closed that session at \$251.89, above the band, and by 11 September had recovered to \$256.78. The level was touched for part of one session and immediately reclaimed. Whether that counts as the condition being met is the central question of this update, and the answer here is that it does not, for reasons set out below that have less to do with the tick and more to do with what has happened to fair value in the meantime.

Across the twenty days since the last note the shares are down 2.0%, from \$262.07 to \$256.78, and are 10.6% below the \$287.20 high set on 3 August. Amazon has published nothing of substance since the 30 July release, so the segment facts underpinning this coverage are all still standing: AWS revenue growing 36.7% to \$42.2 billion at a 39.3% operating margin, a \$496 billion contracted backlog, group operating income up 43%, advertising up 26%, and the artificial intelligence and custom silicon businesses each above a \$25 billion annualised run rate.

Three items are genuinely new. On 3 September Amazon and Qualcomm entered a server-chip supply arrangement with a maximum commercial value of \$60 billion over the warrant term, under which Qualcomm issued Amazon a warrant over up to 25 million shares at \$161.26 expiring in 2036, with 3.75 million shares vesting immediately against initial purchase commitments and the remainder vesting against purchase orders and binding commitments. On 8 September Barron's reported that Meta had launched a consumer artificial intelligence agent, a development aimed squarely at the product-discovery layer that Amazon's retail and advertising businesses both sit on. And on 13 September Amazon suspended operations with 21 Air, the cargo carrier whose aircraft came off a runway at Miami in a fatal accident, with the investigation escalating and the shares marked down alongside Boeing on 8 September.

Do the Published Levels Still Hold?

Condition published 25 Aug 2026	Status at 11 Sep 2026	Assessment
A retreat toward the \$245-250 area would provide the margin of safety the price lacks	Intraday low of \$249.58 on 10 September; close \$251.89; price back to \$256.78 two sessions later	Touched, not held. No session closed inside the band and the shares are 2.7% above its upper edge
A second consecutive quarter of AWS growth at or above 35% with margin near 39% would justify a Buy	No new segment data; Q3 results are not due until 29 October	Untested; not resolvable in this window
A downgrade would require AWS growth below 30% or free cash flow deteriorating further without a margin gain	No evidence either way	Untested

Condition published 25 Aug 2026	Status at 11 Sep 2026	Assessment
Probability-weighted fair value \$298.64, ~14.0% above the price	Restated at \$294.36, ~14.6% above the price	Barely changed. The price fell 2.0% and the fair value was cut by 1.4% for the same reason

The fifty-day average now stands at \$255.25 and the hundred-day at \$255.41, a gap of sixteen cents. Those two lines have converged on the price rather than the price falling to meet them, which is why the 10 September probe below \$250 was bought within a session. Both averages have been recomputed from the current series rather than carried forward from the previous note, where they stood at \$250.14 and \$252.18.

Valuation

At \$256.78 across roughly 10.89 billion diluted shares, Amazon carries a market capitalisation near \$2.80 trillion. The valuation anchor is unchanged and is worth restating because the headline earnings figure remains misleading. Second-quarter reported earnings of \$5.75 per share included approximately \$53.4 billion of non-operating pre-tax other income, primarily a mark-to-market revaluation of the Anthropic stake. At the quarter's 22.6% effective tax rate that contributed roughly \$41.3 billion after tax, leaving clean earnings near \$1.95 per share. That clean figure is this analysis's own calculation from disclosed inputs and is not a company measure. Annualising it gives \$7.80, and at \$256.78 the shares trade near 32.9 times.

Metric	25 Aug 2026	14 Sep 2026	Comment
Share price	\$262.07	\$256.78	-2.0% over thirteen sessions
Market capitalisation	~\$2.85tn	~\$2.80tn	~10.89bn diluted shares
P/E on annualised clean Q2 EPS	~33.6x	~32.9x	Still overstated by Q2 seasonality
AWS annualised run rate	\$169bn	\$169bn	No new data until Q3 results on 29 October
AWS annualised operating income	~\$66bn	~\$66bn	39.3% segment margin
Free cash flow (TTM)	-\$7.6bn	-\$7.6bn	Consumed by the AI build
FY2026 cash capex guidance	~\$220bn	~\$220bn	Raised on memory prices, not capacity
Consensus analyst target	~\$322	\$323.26	59 analysts, no sell ratings; 25.9% above the price
Probability-weighted fair value	\$298.64	\$294.36	Cut on memory-cost evidence; upside 14.0% to 14.6%

The segment arithmetic remains the more useful lens. AWS at a \$169 billion run rate, growing 37% at a 39.3% operating margin, produces roughly \$66 billion of annualised segment operating income. On the multiples the market applies to comparable cloud franchises, that segment alone accounts for a very large share of a \$2.80 trillion capitalisation, which leaves the North American retail business, the international business and an advertising franchise growing 26% carried at a modest residual. That argument is stronger at \$256.78 than it was at \$262.07 and stronger again than at \$277.42 in early August.

The sell side has not moved. Of 59 analysts the distribution runs 1 Strong Buy, 57 Buy and 2 Hold, with no sell ratings and an average target of \$323.26 against a \$218 to \$400 range. Wells Fargo raised its target to \$338 from \$328 on 3 September while reiterating Overweight, the only September action of note. A 25.9% gap between the consensus target and the market price, with nobody willing to put a sell rating on the name, is a configuration that should be read carefully rather than as an endorsement: it means the price is being set by holders with a different view from the analysts, which is usually a view about cash rather than about growth.

Macro conditions that bear on this business. Two variables matter here and both point the wrong way at present. The first is the cost of debt, and it matters differently for Amazon than for a self-funding business. With trailing free cash flow at an outflow of \$7.6 billion against roughly \$220 billion of guided capital expenditure, the marginal dollar of the build is financed rather than earned, so the rate at which Amazon borrows feeds directly into the economics of the

programme. The ten-year Treasury closed at 4.96% on 11 September, a fresh 52-week high, and futures carried roughly 90% odds of a quarter-point increase at the Federal Reserve's 15-16 September meeting after August core inflation ran 0.3% against a 0.2% forecast. The second is the consumer, because North American retail and the advertising business that sits on top of it both turn on discretionary spending. Michigan sentiment fell to 47.8 against a 51.0 forecast in the September reading, one-year inflation expectations rose to 4.6%, and average hourly earnings growth of 3.1% year on year sits below the 3.4% headline inflation rate, so real pay is still falling.

The Memory Read-Through, and Why Fair Value Was Cut

The previous note identified the memory-driven capital expenditure increase as the most plausible explanation for the August de-rating, and set the bear case on the premise that memory prices might keep capital expenditure elevated through 2027. Evidence on that premise has arrived from outside the company, and it is not encouraging. TrendForce estimates the memory content of a 256GB handset now costs close to four times what it did a year ago, and Apple, which buys memory in comparable quantity, has responded by raising iPhone Pro prices by \$100 against sell-side estimates that \$150 to \$200 would be required to hold margin, while telling the market that memory prices look set to keep climbing beyond September.

Amazon cannot raise a price to recover this. It consumes memory as an input to a capital programme whose output is sold as compute at contracted rates, so component inflation lands on the capital line and stays there. The base case in the previous note assumed capital expenditure plateaus after 2026. That assumption is now less likely than it was three weeks ago, which is why three points of probability have moved from base and bull into the bear case and the probability-weighted fair value has been cut from \$298.64 to \$294.36. The price fell 2.0% over the same period, so the implied upside is almost exactly where it was. A stock that gets cheaper at the same rate its fair value is revised down has not become more attractive, and that is the finding this update exists to record.

The Qualcomm arrangement cuts the other way and deserves its weight. A \$60 billion server-chip supply relationship with warrant economics attached gives Amazon a third silicon source alongside Nvidia and its own Trainium line, and the warrant structure means a portion of the commercial value accrues back to Amazon as equity if the volumes materialise. It does not solve the memory problem, which is a component-market price rather than a supplier-choice problem, but it is evidence of exactly the supply-chain leverage the bull case rests on.

Risks

Risk	Probability	Severity	Change since 25 August
Memory prices extending elevated capex into 2027 and beyond	High	High	Worse on both axes. External evidence now points to memory costs still rising rather than peaking
Negative free cash flow against ~\$220bn of guided capex	High	Medium	Unchanged in fact, but more expensive to finance as the ten-year makes 52-week highs
AI demand digestion slowing enterprise cloud spending	Medium	High	Unchanged; the \$496bn backlog remains the principal mitigant
Earnings quality: the Anthropic gain is non-cash and reversible	High	Low	Unchanged; it flatters comparatives for four quarters, then reverses
Competition in consumer product discovery from general AI agents	Medium	Medium	Newly itemised following Meta's consumer agent launch; a long-run threat to retail and advertising, not a near-term one
Air network disruption and liability from the 21 Air suspension	Low	Medium	New. Financially small against a \$2.8tn business, but the investigation outcome is not yet knowable

Risk	Probability	Severity	Change since 25 August
Price already moved	Medium	Medium	Unchanged; upside to fair value is 14.6% against 14.0% three weeks ago
Regulatory exposure across marketplace and cloud	Medium	Medium	Unchanged
AWS leadership change under Dave Treadwell	Low	Low	Unchanged

Technical Position

The digestion the previous note described has continued and has now cost the shares their momentum. The fifty- and hundred-day averages have converged at \$255.25 and \$255.41 and the price sits just above both, but it has lost the twenty-day average at \$258.96, the MACD line has crossed below its signal into negative territory, and the relative strength index has slipped from 52.5 to 48.9. The 200-day average is computable in this coverage for the first time, at \$239.80, and sits 6.6% below the market.

Indicator (11 Sep 2026)	Value	Reading
Close	\$256.78	10.6% below the 3 August high of \$287.20
SMA20	\$258.96	Price 0.8% below — lost since the last note
SMA50	\$255.25	Price 0.6% above; was 4.8% above
SMA100	\$255.41	Price 0.5% above; the two averages have converged to 16 cents
SMA200	\$239.80	Price 7.1% above; computable for the first time in this coverage
EMA20 / EMA50	\$257.92 / \$256.00	Price straddling both — a genuine pivot
RSI(14)	48.9	Neutral, drifting lower; was 52.5
MACD / signal / histogram	-0.84 / 0.27 / -1.11	MACD has crossed negative; was +3.16 / +4.63 / -1.47
ATR(14)	\$6.22 (2.4% of price)	Volatility lower, from \$7.28 and 2.8%
Volume, 20-day vs 50-day average	31.9m vs 40.0m	Participation down 20% — drift, not distribution
52-week range	\$196.00 - \$287.20	Price in the upper third

Indicators computed from 300 completed daily OHLCV sessions, 3 July 2025 to 11 September 2026, from a single split-adjusted source. Every average quoted has been recomputed from that series; none has been carried forward. Distances are measured against the 11 September close of \$256.78.

For entry timing only: the \$255 shelf where the fifty- and hundred-day averages meet is the line that matters, and the 10 September probe to \$249.58 established where the buyers sit beneath it. A daily close below \$249.58 would mean that shelf has failed and would open the \$240 area where the 200-day average runs. Technicals inform entry timing and do not alter the rating.

Scorecard

Category	Score	Comment
Business quality	9/10	Three strong franchises: AWS, retail and a 26%-growth advertising business

Financial strength	7/10	\$161.4bn of operating cash flow, entirely consumed; free cash flow negative
Competitive advantage	9/10	Trainium, Graviton and now a \$60bn Qualcomm server-chip arrangement
Management	8/10	AWS reacceleration is genuine; headline EPS still leans on a mark-to-market gain
Growth potential	9/10	AWS +37% with a \$496bn backlog; AI and chips each above \$25bn
Valuation	6/10	~32.9x annualised clean earnings, but fair value cut by the same driver
Risk (10 = lowest risk)	5/10	Memory inflation looks unfinished; capex financed at 52-week-high rates (was 6)
Technical setup	5/10	MACD crossed negative, 20-day average lost, volume down a fifth (was 6)

Scored 1-10, where 10 is always best, including Risk. Weightings: growth 16, valuation 16, business quality 15, competitive advantage 13, risk 13, financial strength 11, management 11, technicals 5. The previous note scored 77/100 on an unrounded 76.5. Two factors move, risk from 6 to 5 and technical setup from 6 to 5; valuation holds at 6 because the cheaper price and the lower fair value cancel. Unrounded total 74.7. The previous note already scored Risk on the convention used here, with a higher number meaning a safer business, so no restatement was required to compare the two scorecards.

Overall Investment Score: 75 / 100

Scenario Analysis

Scenario	Prob.	Earnings path	Fair value	Conditions
Bull	26%	FY27 clean EPS ~\$11.00	\$374	AWS sustains 35%+ with margin near 40%, advertising compounds, memory pricing peaks and free cash flow turns positive during 2027; multiple near 34x
Base	45%	FY27 clean EPS ~\$9.50	\$304	AWS moderates toward 30%, operating leverage continues, capital expenditure plateaus rather than falls; multiple near 32x
Bear	29%	FY27 clean EPS ~\$8.00	\$208	Enterprise AI digestion, memory prices hold capital expenditure above \$220bn through 2027, margin compresses and the negative free-cash-flow period extends; multiple de-rates toward 26x

Probabilities sum to 100%. Probability-weighted fair value: \$294.36, approximately 14.6% above the 11 September close of \$256.78. Earnings figures exclude non-operating investment gains. The scenario fair values are unchanged from the previous note; three percentage points have moved from bull and base into the bear case on the external evidence that memory pricing has not peaked. Previously \$298.64.

Recommendation: Watchlist (reaffirmed)

The rating is unchanged, and this is the closest call in the coverage to date. On 10 September the shares traded at \$249.58, forty-two cents inside the \$245-250 band the previous note named. The case for treating that as the condition being met is real: a reader holding a limit order in the zone would have been filled. The case against it, which is the one taken here, has two parts, and the second matters more than the first.

The first is mechanical. No session closed inside the band, the probe lasted part of one day, and the shares are now \$256.78, which is 2.7% above the band's upper edge. A rating describes a stock at the price it trades at today, not at the best price it printed last week. Upgrading now would recommend paying \$256.78 on the strength of a level that is no longer available, which is the mirror image of the error the previous note refused to make.

The second is that the level was named to compensate for a specific risk, and that risk has grown while the price fell. The \$245-250 band was chosen in August as the price at which the negative free-cash-flow period and the memory-driven capital expenditure increase would be adequately paid for. External evidence since then points to memory costs still climbing rather than peaking, which lengthens that period rather than deepening it for one year. The fair value has been cut from \$298.64 to \$294.36 in consequence, and the implied upside is 14.6% against 14.0% three weeks ago. Twenty days, a 2.0% fall in the price and a fresh negative on the central question have produced sixty basis points of improvement in the margin of safety. That is not a stock that has grown cheaper; it is a stock whose price and fair value are falling together.

What would change the view	Direction
A second consecutive quarter of AWS growth at or above 35% with the margin holding near 39%, reportable on 29 October	To Buy
A daily close inside the \$245-252 area, where the fifty- and hundred-day averages now converge and where the 10 September buyers sat	Becomes buyable
Capital expenditure guidance for 2027 set at or below the 2026 level, indicating memory costs have peaked	To Buy
AWS growth falling below 30%, or free cash flow deteriorating further without a corresponding margin gain	To Avoid
Capital expenditure guided materially above \$220bn for 2027 on component costs rather than capacity	To Avoid
A sustained further rise in long-term yields, which raises the financing cost of a capital programme the business does not currently fund from its own cash flow	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, and for a more interesting reason than three weeks ago. In August the objection to Amazon was entirely about price, and the market removed roughly half of it. Since then the price has fallen a further 2.0% and touched the named level, which ought to have closed the gap. It has not, because the reason the level existed has become more serious over the same period.

What Amazon is asking a shareholder to fund is a capital programme of roughly \$220 billion a year against trailing free cash flow of minus \$7.6 billion, in which the most recent \$20 billion increment bought no incremental compute because it was component inflation. The evidence arriving from the rest of the memory market says that inflation has not finished. A business that borrows to build, at a moment when the ten-year is at a 52-week high and a policy increase is priced for this week, is paying more for the same programme than it expected to.

The bull answer remains the strongest available anywhere in this sector and has been strengthened, not weakened, by the Qualcomm arrangement. AWS accelerated to 37% while expanding operating margin six points, carries a \$496 billion contracted backlog against a \$169 billion run rate, and now has a third silicon source with warrant economics attached. Growth accelerating alongside margin expansion is very difficult to manufacture. Sixty analysts cover the shares and not one of them has a sell rating.

The resolution is six weeks away and is specific. On 29 October Amazon reports third-quarter results with an AWS growth rate, a segment margin and, most importantly for this note, the first indication of what 2027 capital expenditure looks like. A second consecutive quarter above 35% with capital expenditure guided flat would make this a straightforward Buy at a higher price than today's. Until then, \$256.78 buys an excellent business at a fair price with an unresolved and slightly worsening question about cash.

Sources

Alpha Vantage — quote of record, 11 September 2026 close • Twelve Data — daily OHLCV series, 3 July 2025 to 11 September 2026, from which all indicators were computed • moomoo news search and stock digest — news, notices and broker research, 3-14 September 2026 • TipRanks / The Fly — Qualcomm warrant to Amazon for up to 25m shares, 8 September 2026 • Barron's via moomoo — Qualcomm-Amazon AI chip arrangement and Meta's consumer AI agent, 8-9 September 2026 • NPR, NBC News and Bloomberg — Amazon suspends 21 Air after the Miami cargo accident, 13-14 September 2026 • MarketBeat — analyst ratings, targets and consensus distribution, September 2026 • The Motley Fool — memory costs against handset pricing, citing TrendForce, 10 September 2026 • Amazon.com, Inc. — Q2 2026 results release and earnings call, 30 July 2026 • Bureau of Labor Statistics, US Treasury and University of Michigan — August CPI, the ten-year yield and September consumer sentiment

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