Microsoft Corporation (NASDAQ: MSFT)

Equity research report · 18 November 2026 · Price of record $506.24 (close of 17 November 2026)

Verdict: Buy, set from fundamentals; unchanged from the 14 November report. Fair value $565.76 (probability-weighted, +11.8%); base case $578.40 (+14.3%). Buying range **$496-$515**, cut-loss **$478** on a daily close, targets **$578** and **$700**.

Technical read (chart only): Confirms. The stock is in a pullback inside a longer uptrend, below the 20-day and 50-day averages but above a rising 100-day and 200-day, so the chart supports buying inside $496-$515. A close below the 17 November low of $496.51 would put the 60-session closing low of $490.30 in play. The tag reflects the price chart only and does not change the verdict.

Investment Score: 76.5 / 100 (74.5 on 14 November). Bull $714.00, bear $408.50 (-19.3%). Market value about $3.76tn; 25.3x fiscal 2027 and 21.0x fiscal 2028 EPS.

Summary

Microsoft closed at $506.24 on 17 November, 3.4% below the $523.88 close the last report used and at the bottom of the $505-530 buying range it set. The fall came on the first day of Ignite, but not because of it: every sector of the S&P 500 fell that day, the index closed below its 200-day average for the first time in seven months, software stocks sold off broadly ahead of NVIDIA's results, and a December Fed rate increase is close to fully priced with the 10-year yield near 5.10%. Intraday the stock touched $496.51, below the 2 November low that anchored the old range floor, before recovering to close above it.

The development that matters in this report is Ignite itself. On 17 November Microsoft released a new generation of its own AI models: MAI Code 2 and Code 2 Flash for coding, MAI Cyber 2 Flash for security, MAI Image 2.7, MAI Realtime 1 for speech, a medical transcription model and Microsoft-Decision-1.1 for routing, alongside licensed model weights for trusted customers, the Maia 300 accelerator and an AI Transparency Initiative. Microsoft says MAI Code 2 matches 98% of OpenAI's GPT-6.1 Sol on its chosen coding benchmarks at about 40% of the price, but that comparison uses a 50% promotional price; at list price it is closer to 80% (own calculation). This report rates the model launch Medium, not High. It lowers Microsoft's reliance on OpenAI and could trim the cost of serving Copilot, but our sizing puts it at -0.2% to +1.0% of fiscal 2028 EPS, and the cost claims are the company's own. It is built into the scenarios but does not move the verdict, the levels or any factor score.

The case is unchanged. Azure grew 48% in the September quarter and management guided 49-50% for December; commercial remaining performance obligation is $677bn, up 73%. The base case is worth $578.40 on fiscal 2028 EPS of $24.10 at 24 times, and the probability-weighted value $565.76, 11.8% above the price. The weighted value is $12.41 lower than on 14 November because the base multiple is cut to 24 from 25 after the broad de-rating of software, not because the earnings outlook changed. The buying range moves down to $496-$515, the cut-loss stays at $478 and target 1 becomes the $578 base case.

What has moved since 14 November

Item	14 November report	This report	Driver
Price	$523.88 (13 Nov)	$506.24 (17 Nov)	Broad software and AI sell-off; hike odds
Fair value (weighted)	$578.17	$565.76	Base multiple 24x from 25x
Bull / base / bear	$719.60 / $599.50 / $408.50	$714.00 / $578.40 / $408.50	See scenario table
Probabilities	22 / 53 / 25	22 / 53 / 25	Evidence on each case unchanged
FY28 EPS (base)	$23.98	$24.10	Consensus FY27 $20.01, growth about 20%
P/E on FY28 EPS	21.8x	21.0x	Price
Investment Score	74.5	76.5	Valuation +1
Buying range / cut-loss	$505-530 / $478	$496-$515 / $478	Floor anchor broken intraday

Item	14 November report	This report	Driver
Targets	$600 / $700	$578 / $700	Target 1 is the base case
10-year Treasury yield	5.15% (13 Nov)	5.10% (17 Nov)	December increase about 90% priced
Verdict	Buy	Buy	Unchanged

Prices are closing prices. Fair values and levels are this report's own estimates. Factor weights are unchanged from the previous report.

Do the published levels still hold?

Level	Published 14 Nov	Anchor stated then	Anchor now (17 Nov)	Status
Buying range	$505-530	Floor on the 2 Nov low of $504.96; 50-day $519.00 inside	17 Nov low $496.51 broke the floor intraday; 50-day $519.61	Reset to $496-$515
Cut-loss	$478 (daily close)	Below the 100-day SMA ($480.12) and 60-session closing low ($483.24)	100-day $483.10; 60-session closing low $490.30; 200-day EMA $478.02	Held at $478
Target 1	$600	Base case, FY28 EPS $23.98 at 25x	Base case $578.40 at 24x	Lowered to $578
Target 2	$700	Just below the bull case of $719.60	Bull case $714.00	Held at $700

Levels our own. Averages and ATR(14) computed from completed daily sessions through 17 November 2026; ATR $15.39.

The old floor no longer describes the structure: the low it sat on was taken out intraday on 17 November. The new floor sits on that day's low of $496.51, the top just below the 50-day average, and across $496-$515 the base case pays 12% to 17%. The cut-loss stays at $478. Both of its anchors have risen, the 100-day average to $483.10 and the 60-session closing low to $490.30, so it still sits beneath them, and the 200-day exponential average is now also at $478. Because the floor moved down and the stop did not, the gap between them narrows to 1.17 times the 14-day ATR from 1.77; the stop is not widened to restore it, and position size should allow for that.

Framework: what decides the return

Microsoft earns most of its profit from renting computing capacity and selling software on subscription. Agents and Infra, which holds Azure, Microsoft 365 commercial, Dynamics and GitHub, was $76.8bn of $92.3bn of September-quarter revenue; Devices and Consumer, with Windows OEM, Xbox and search, was $15.5bn and shrinking. Five variables decide the return over two years: Azure growth against the capacity coming online; whether the cost of that capacity (capex, $364.6bn of leases not yet commenced) earns its return, visible in the Microsoft Cloud gross margin; Copilot and agent monetisation in Microsoft 365; the OpenAI relationship, now nearly 11% of revenue and the main route to the bear case, together with how far Microsoft's own models and chips reduce that dependence; and the discount rate, with long yields above 5%. The Ignite model launch is judged on the fourth variable and on the cost side of the second.

Business and the latest quarter

Metric	Q1 FY27 (Sep 2026)	Q1 FY26	Change	Read
Revenue	$92.3bn	$77.7bn	+19%	Agents and Infra +25%
Operating income	$45.9bn	$38.0bn	+21%	Margin about 50%
Diluted EPS (GAAP / ex-OpenAI)	$4.92 / $4.89	$3.72 / $4.13	+32% / +18%	OpenAI equity gain $0.03
Microsoft Cloud revenue	$63.9bn	n/a	+30%	Gross margin 66%, lower on Azure mix
Azure growth	48%	n/a	n/a	Guided 49-50% for Q2
Commercial RPO	$677bn	n/a	+73%	Contracted backlog
Operating cash flow	$58.0bn	$45.1bn	+29%	Capex $39.4bn, up from $19.4bn
Revenue from OpenAI	$10.0bn	n/a	n/a	Receivable $7.2bn (June: $6.0bn)

Sources: company earnings release (Exhibit 99.1, 28 October 2026) and Form 10-Q for the quarter ended 30 September 2026. The ex-OpenAI EPS is the company's non-GAAP measure.

The quarter was strong and has been written up; it matters here for the base it sets. Revenue grew 19% and operating income 21%, with headcount down 2%, so the business is scaling without adding people. The cost is capital: additions to property and equipment doubled to $39.4bn in one quarter, depreciation and amortisation rose to $11.7bn from $8.1bn, and the 10-Q lists $364.6bn of leases signed but not yet commenced. Free cash flow after capex was about $18.6bn in the quarter (own calculation). Microsoft returned $10.2bn through dividends and buybacks and goes ex-dividend at $0.98 a share on 19 November.

Company developments

Development	Status and date	What is known	What is forecast (and by whom)	Impact
Second-generation MAI models	Launched 17 Nov 2026 (Ignite)	Code 2 and Code 2 Flash in GitHub Copilot (Flash in limited preview in Foundry); Cyber 2 Flash in preview for security customers; Image 2.7 in Foundry; Realtime 1 in test; Decision-1.1 generally available, used by 4,000+ customers; Code 2 priced at a 50% promotional rate.	Company: Code 2 gives 98% of GPT-6.1 Sol's benchmark score at about 40% of its price. Our estimate: -0.2% to +1.0% of FY28 EPS	Medium
MAI Licensed Weights	Announced 17 Nov 2026	Trusted customers can run and customise MAI model weights in their own Azure environment.	No price or date given	Low
Maia 300 accelerator	Announced 17 Nov 2026	Company claims 40% more tokens per watt than leading GPU systems; Maia 200 in production running MAI models.	No volume date or cost saving disclosed	Medium
New Copilot and agents	Ignite; Copilot Code GA in December	Copilot Workspaces, Autopilot, Copilot Code, Microsoft IQ, Salesforce in Copilot (preview); Agent 365 holds 50m+ agents. No price changes.	None	Medium
Partner models in Foundry	Announced 17 Nov 2026	GPT 6.2 and Meta's latest models coming to Foundry; Baseten and DeepSeek inference added.	None	Low
AI Transparency Initiative	Announced 17 Nov 2026	Work with NIST's agent standards effort and about 40 organisations; standards to apply to MAI models, Foundry and Copilot.	None	Low
Copilot usage billing default	Due 1 Dec 2026	Pay-as-you-go becomes the default on new Copilot Business licences bought through partners.	None	Medium
Microsoft 365 outage	12-13 Nov 2026; review pending	Exchange, Outlook, Teams and Copilot disrupted across regions for two days; no malicious activity; credits are claim-based.	Our estimate of claims: $0.2-1.5bn, one-off	Medium
Anthropic IPO and Azure commitment	Pricing expected week of 16 Nov	Filing commits at least $44.9bn with Microsoft to June 2033; Microsoft named among private-placement buyers at the offer price.	None	Medium
OpenAI relationship	10-Q, 28 Oct 2026	$10.0bn of Q1 revenue; receivable $7.2bn; $12.0bn of $13.0bn funding commitment paid; about 24% stake.	None	Medium
Cerebras capacity deal	Reported 12 Nov 2026	Cerebras named Microsoft as a cloud inference customer; terms not disclosed by Microsoft.	None	Low

Sources: Microsoft Official Blog, Microsoft Source and Book of News (17 November 2026); microsoft.ai model announcements and model card (17 November 2026); GitHub changelog (17 November 2026); Microsoft Form 10-Q (28 October 2026); Anthropic registration statement; Renaissance Capital (10 November 2026); Barron's (12 November 2026). Impact is this report's assessment.

Ignite: Microsoft's own models

What is known. On 17 November, the first day of Ignite in San Francisco, Microsoft released seven models built by its MAI group. MAI Code 2, for demanding coding work, and MAI Code 2 Flash, for high-volume coding, are in the GitHub Copilot model picker for subscribers on annual plans, with Code 2 Flash also in limited preview in Foundry. MAI Cyber 2 Flash, for finding and fixing software vulnerabilities, is in preview for customers of Microsoft's agentic security service, and the company says it beats GPT-6 Astra on a security benchmark at under 2% of the cost per task. MAI Image 2.7 is in Foundry; MAI Realtime 1, a speech-to-speech model, is in testing at prices from $0.01 per audio minute; a transcription model now runs in Dragon Copilot; and Microsoft-Decision-1.1, a small routing model, is generally available and has been used by more than 4,000 customers. Microsoft also announced licensed model weights that trusted customers can run in their own Azure tenancy, the Maia 300 accelerator, and an AI Transparency Initiative with NIST and about 40 organisations. Most are successors to models released at Build in June. Microsoft has not published per-token prices for Code 2; it states the comparisons at a 50% promotional price.

Why it matters here. The models touch three things: the cost of serving GitHub Copilot and Microsoft 365 Copilot, the range Foundry can sell inside Azure, and the OpenAI relationship. OpenAI supplied $10.0bn of revenue in the September quarter and Microsoft owns about 24% of it, so OpenAI is both its largest AI customer and the main supplier of the models inside its products. Owning competitive models gives Microsoft a second source for its own products and a lower-cost option to sell, which reduces the weight of that single relationship. None of the seven is a revenue line Microsoft reports, and none comes with a price increase on an existing product.

What success and failure look like. Success is MAI models becoming a default choice inside GitHub Copilot and Microsoft 365 Copilot, Code 2 Flash reaching general availability in Foundry with real third-party usage, and Microsoft Cloud gross margin holding near 66% while Azure grows above 45%. Failure is low usage once the promotional price ends, with developers staying on OpenAI and Anthropic models. The first hard evidence is the December-quarter results in late January (expected, not yet announced; late January is the usual pattern), when gross margin and any usage figures can be checked.

Economics. The direct revenue is small. The larger effect is on cost: a Copilot request served by an in-house model may cost less in whatever Microsoft pays or shares with a model's owner (the terms are not disclosed) and, if the efficiency claims hold, uses less compute. Against that, Microsoft keeps paying for frontier training runs, and the promotional price halves near-term revenue per token. A useful check on the headline claim: at 40% of GPT-6.1 Sol's price under a 50% discount, Code 2 sits at about 80% of it at list price, and Code 2 Flash at about 40% of Claude Haiku 5.5 (own calculation). Against OpenAI's model that is cheaper, but not by the margin the headlines suggest.

Precedent and competitors. Google sells its own Gemini models across its cloud and Amazon its Nova models; both lean on in-house models to lower serving costs. The MAI generation released at Build in June did not visibly change Azure growth or margins. OpenAI and Anthropic are cutting prices at each generation too, so a cost lead claimed on launch day narrows quickly. Microsoft keeps offering OpenAI's GPT 6.2 and Anthropic's Claude in Foundry, which shows it is adding a choice rather than replacing its partners.

Case	Assumption (our estimate)	Pre-tax effect	FY28 EPS effect	Value at 24x
Success	Cloud gross margin +0.40pt on FY28 Microsoft Cloud revenue of $335bn; $2.0bn of MAI revenue at 50% margin	+$2.34bn	+$0.25 (+1.0%)	+$6.03
Base	Gross margin +0.15pt; $0.5bn of MAI revenue at 50%	+$0.75bn	+$0.08 (+0.3%)	+$1.94
Failure	No margin gain; $0.5bn of training and serving cost not recovered	-$0.50bn	-$0.05 (-0.2%)	-$1.29

Own calculation. Inputs: base FY28 EPS $24.10; 7,446m diluted shares; 20% tax rate (Q1 FY27 effective rate); FY28 Microsoft Cloud revenue of $335bn estimated from $63.9bn in Q1 FY27 growing about 24%. Microsoft does not disclose model usage, inference cost or revenue share terms, so the cases rest on stated assumptions.

Sized outcomes and what the price assumes. Even the success case adds about 1% to fiscal 2028 EPS, well short of the 5% that would make this a High item; without the launch the base case would be worth $576.46 rather than $578.40. Consensus estimates mostly predate the launch, but the model programme has been public since June, so little is in the numbers and some is in the multiple. If the models fail, the earnings effect is a few cents; the larger cost would be to the story that Microsoft can cut its dependence on OpenAI, which would weigh on the multiple rather than on earnings. The 3.4% fall in the shares since 14 November cannot be traced to Ignite: the decline was broad across software and the wider

market on a day when every S&P 500 sector fell. **What is still unknown:** per-token list prices, Foundry general availability for Code 2, usage figures, and whether Maia 300 reaches volume production. December-quarter results should settle the first three.

Other items. The rest of Ignite extends Copilot and agents (Copilot Code becomes generally available in December, Salesforce data comes into Copilot in preview, and Agent 365 already manages more than 50 million agents) but changes no prices, so the 1 December move to usage-based billing on new Copilot Business licences remains the pricing test. Anthropic's listing, with Microsoft buying in the private placement, keeps a second large lab tied to Azure. The outage of 12-13 November is still awaiting a post-incident review; nothing announced at Ignite changes the earlier estimate of a one-off credit cost.

Growth drivers

Driver	Status	Likelihood	Impact	Note
Azure capacity and AI demand	48% growth; 49-50% guided for Q2	High	High	RPO $677bn
Copilot and agent monetisation	Usage billing default from 1 Dec; Copilot Code GA Dec	Medium	High	Copilot revenue not disclosed
Second large lab on Azure	Anthropic commitment of $44.9bn+ to 2033	High	Medium	Lowers OpenAI weight in backlog
Own models (MAI)	Second generation launched 17 Nov	Medium	Low	Margin lever; -0.2% to +1.0% of FY28 EPS
Own silicon (Maia, Cobalt)	Maia 300 announced; Cobalt 200 VMs GA	Medium	Low	Cost lever; no saving disclosed

Status is as announced by the company. Likelihood and impact are this report's estimates.

Competitors

Company	Position	Read for Microsoft
Alphabet (Google Cloud)	Fastest-growing large cloud; own Gemini models and TPUs; largest Anthropic commitment	The main share-gain threat in AI compute
Amazon (AWS)	Largest cloud by revenue; own chips and Nova models; large Anthropic commitment	Price competition in compute and models
OpenAI	Largest AI customer of Azure, model supplier and investee; sells its own enterprise products	Partner and rival; MAI models compete with its API
Anthropic	Claude models in Foundry and in Copilot; at least $44.9bn committed to Azure	Customer, supplier and competitor in coding agents
Salesforce, Google Workspace	Rival enterprise software and agents	Copilot must win seats against bundled agents

Descriptions from company statements and filings, 2026.

Management

Management beat its own Azure guidance in the September quarter and guided higher for December, a record that supports the score. Against it, the two-day Microsoft 365 outage was an operating failure in the flagship suite, a post-incident review has not yet been published, and Copilot revenue is still not disclosed. Ignite showed a coherent strategy, own models and chips beside partner models, and the new transparency commitments are reasonable, but none of it is yet measurable in the numbers. Insider filings in November were routine Form 4s and one Rule 144 notice.

Risks

Risk	Probability	Severity	Comment
Capex outruns contracted demand	Medium	High	Capex doubled to $39.4bn in Q1; $364.6bn of leases not yet commenced
OpenAI concentration	Medium	High	Nearly 11% of Q1 revenue; receivable up to $7.2bn; MAI models add friction as well as choice
Discount rate	High	Medium	10-year near 5.10%; December increase about 90% priced
Cloud margin compression	Medium	Medium	Microsoft Cloud gross margin 66%; depreciation up 44%
Operational resilience	Medium	Medium	Two-day outage of the flagship suite; review pending
Competition in AI compute and models	Medium	Medium	Google and Amazon cut model prices with their own chips
Data-centre policy	Medium	Low	Local curbs slow new capacity; may support pricing
Consumer devices	High	Low	Windows OEM and devices revenue fell 22% in Q1

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

Valuation

Microsoft is valued on forward earnings, because its profits are large, recurring and growing about 20% a year, and on fiscal 2028 in particular, since fiscal 2027 still carries the step-up in depreciation from this year's capex. At $506.24 the equity is worth about $3.76tn on 7,426m shares. That is 25.3 times consensus fiscal 2027 EPS of $20.01 (47 analysts) and 21.0 times fiscal 2028 EPS of $24.10, our estimate from the consensus with growth of about 20%, in line with the consensus outlook for net income. The trailing P/E is about 26, below the 30-35 times Microsoft carried for much of the last five years.

The base case applies 24 times to fiscal 2028 EPS, giving $578.40. The multiple is a point lower than on 14 November: software has de-rated broadly since then, the S&P 500 has fallen below its 200-day average, and with the 10-year yield above 5% a growth premium is harder to hold. Twenty-four times still sits above the current 21 times, because Microsoft's growth is contracted in a $677bn backlog and its cash flow should recover as capex growth slows. On these numbers the shares are modestly undervalued.

Macro drivers. Two macro variables matter. The first is the discount rate. October CPI rose 0.4% with core up 0.3% for a third month, core PCE ran at 3.1% in September, and markets put the odds of a quarter-point Fed increase at the 8-9 December meeting near 90%; the 10-year yield closed at 5.10% on 17 November. For a business valued on earnings well into the future, that is the main pressure on the multiple. The second is enterprise technology spending, which drives Azure and seat growth. Retail sales rose 0.2% in October with the control group up 0.6%, GDP grew 3.4% in the third quarter and jobless claims sit near 200,000, so demand is holding. Microsoft's revenue is largely contracted, so rates reach it through the valuation far more than through the order book.

Sentiment

Analysts are firmly positive. A count of 58 analysts showed 41 Strong Buy, 12 Buy and 5 Hold ratings, with an average target of $636. Since the last report, Citi ($680), JPMorgan ($625) and Barclays ($610) kept Buy ratings on 18 November after Ignite, Bernstein held $722 and Wells Fargo $750. Short interest is low at about 0.8% of the float. Insider activity in November was routine: Form 4s on 9, 10, 12 and 16 November and a Rule 144 notice on 5 November. Options volume reached about 430,000 contracts on 17 November.

Institutional positioning is Mixed, with moderate confidence, as of 30 June 2026, filings through 19 August 2026. Active managers made a net reduction of about 2.0% of reported shares over four quarters, with adders and cutters about equal and the latest quarter the largest reduction of the last six, so the read leans cautious. 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.

Investment scorecard

Criterion	Score		Weight	Change	Basis
Business Quality		**9/10**	15%	0	Agents and Infra is 83% of revenue at about 50% operating margin; capital intensity rising.
Financial Strength		**7/10**	15%	0	$58bn quarterly operating cash flow and AAA ratings, against $364.6bn of leases not yet commenced.
Competitive Advantage		**9/10**	15%	0	Enterprise distribution, Azure scale and now its own models beside OpenAI and Anthropic.
Management		**7/10**	10%	0	Beat the Azure guide; flagship outage and undisclosed Copilot revenue hold the score.
Growth Potential		**8/10**	15%	0	Azure guided to 49-50%; own models add a small margin lever, not a new revenue line.
Valuation		**7/10**	20%	+1	21.0x FY28 EPS; weighted value 11.8% above the price.
Risk (10 = lowest risk)		**6/10**	10%	0	Strong cash generation against OpenAI concentration, lease commitments and rates.
Investment Score	**76.5 / 100**		100%	+2.0	Weighted sum of the seven factors.

Scored 1–10, where 10 is always best, including Risk. Weights: Business Quality 15, Financial Strength 15, Competitive Advantage 15, Management 10, Growth Potential 15, Valuation 20, Risk 10. Change is against the 14 November report.

One score moved. Valuation rises to 7 from 6 because the shares are 3.4% cheaper while the earnings base is unchanged: 21.0 times fiscal 2028 EPS against 21.8, with the weighted value 11.8% above the price against 10.4%. The Ignite models moved no score. They support Competitive Advantage, which is already 9, and add too little to fiscal 2028 earnings to lift Growth Potential. The other scores hold on unchanged inputs: the segment mix and margins in the 10-Q, the $364.6bn of lease commitments, the Azure guidance and the pending outage review. Risk at 6 means an average-risk business for its size, and the Risks section describes exactly that: strong cash flow against concentration, large fixed commitments and rate exposure.

Recommendation and trade plan

Buy, unchanged. Microsoft offers a cloud business growing 48%, a dominant enterprise software franchise and $58bn of quarterly operating cash flow at 21.0 times fiscal 2028 earnings. The reasoning is the same as on 14 November, with valuation a little more supportive; Ignite adds a modest cost lever and a second source of models but does not change the case. The verdict and levels would be the same without the model launch. Inside $496-$515 the base case pays 12% to 17%.

Item	Level	Basis
Recommended entry	$496-$515, in tranches	Price of record $506.24 is inside; no new money above $515
Ideal buy range	$496-$515	Floor on the 17 Nov low of $496.51; top below the 50-day average ($519.61)
Cut-loss	$478 (daily close)	Below the 100-day SMA ($483.10) and 60-session closing low ($490.30); at the 200-day EMA
Target 1	$578	Base case, FY28 EPS $24.10 at 24x
Target 2	$700	Just below the bull case of $714.00
Expected upside / downside	+14.3% / -5.4%	From the range midpoint of $505.50 to target 1 and to the cut-loss
Risk / reward	2.6 : 1 to target 1; 7.1 : 1 to target 2	From the range midpoint
Holding horizon	12 to 24 months	

Item	Level	Basis
Position size	Core position, built in tranches, sized for a 15% loss	Stop 1.17 ATR below the floor; a gap through $478 is possible
Suggested allocation	3% to 5% of equities	

Levels our own. The range applies before and after NVIDIA's results on 18 November, Anthropic's listing and the 1 December Copilot billing change.

What would change the view

Condition	Direction
Azure at or above 49% in the December quarter with capacity arriving on schedule	Better
MAI models showing real usage, or Microsoft Cloud gross margin rising with Azure still above 45%	Better
Copilot revenue disclosed, or usage billing showing real uptake after 1 December	Better
Maia 300 in volume production with a disclosed cost saving	Better
A second major Microsoft 365 outage, or customers citing it in renewals	Worse
Capex guidance rising faster than contracted obligations	Worse
OpenAI's receivable growing faster than its revenue, or its Azure contracts slipping	Worse
Microsoft Cloud gross margin falling well below 66% without faster Azure growth	Worse
A daily close below $478	Worse
A sustained rise in long-end yields alongside contracting enterprise technology budgets	Worse

Scenario analysis

Case	Probability	Revenue and earnings outlook	Ignite models	Fair value
Bull	22%	Azure stays above 45% into fiscal 2028 and Copilot billing adds a second leg; FY28 revenue about $495bn; EPS $25.50 at 28x.	Success: +$0.25 EPS	$714.00
Base	53%	Azure eases toward 40% as capacity catches up; FY28 revenue about $470bn; EPS $24.10 at 24x.	Base: +$0.08 EPS	$578.40
Bear	25%	AI demand pauses or OpenAI slips; Azure falls to the twenties; FY28 revenue about $440bn; EPS $21.50 at 19x.	Failure: -$0.05 EPS	$408.50
Weighted	100%			$565.76

Own estimates. Fair values are 12-month estimates on fiscal 2028 EPS (fiscal year ends June 2028). The model effect is included in each case's EPS.

The probabilities follow the evidence on each case and are unchanged from 14 November because that evidence is unchanged. The bull case needs Azure above 45% for six more quarters and visible Copilot revenue; the guidance supports the first, but the second is unproven and the 1 December billing change is its first test, so it is held at 22%. The base case is the guided path with capacity catching up and is the most likely single outcome at 53%. The bear case stays at 25%: OpenAI is still nearly 11% of revenue with a rising receivable, the lease commitments are fixed, and rates are rising, while the $677bn backlog keeps it below one in three. Ignite's models are too small to shift any of these weights.

Technical read

Chart as of 17 November 2026 close.

Verdict: Buy, from fundamentals. Technical read (chart only): **Confirms**. The chart state is a pullback: the 50-day average is still rising and sits well above the 200-day, the price is above the 100-day and 200-day averages, and there has been no new 60-session closing low and no close under the 200-day in the last ten sessions. The stock has fallen 9.5% from its $559.15 high and closed below the 20-day and 50-day averages, with RSI at 41.9, MACD below its signal and volume rising into the decline. The chart supports buying inside $496-$515; a close below $496.51 would put the $490.30 closing low in play, and a close back above the 50-day near $519.61 would end the pullback.

Indicator	Value	Reading
Trend	Pullback in an uptrend	50-day rising, above the 200-day
20-day SMA / EMA	$527.33 / $525.30	Price 4.0% / 3.6% below
50-day SMA / EMA	$519.61 / $515.76	Price 2.6% / 1.8% below
100-day SMA / EMA	$483.10 / $493.21	Price 4.8% / 2.6% above
200-day SMA / EMA	$442.27 / $478.02	Price 14.5% / 5.9% above
RSI (14)	41.9	Neutral
MACD (12,26,9)	-0.74 vs signal 2.47	Negative, below signal
ATR (14)	$15.39	3.0% of price
Volume	20-day 27.5m vs 50-day 23.8m	Participation rising into the decline
Support	$496.51; $490.30; $478.02	17 Nov low; 60-session closing low; 200-day EMA
Resistance	$519.61; $527.33	50-day and 20-day averages
Ranges	$359.90 to $559.15 (100 sessions)	52 weeks: $349.20 to $559.15

Computed from 300 completed daily sessions (Twelve Data, split-adjusted, unadjusted for dividends) to 17 November 2026; distances measured against the $506.24 price of record. RSI and ATR use Wilder smoothing.

The Technical read looks only at the price chart. It does not change the verdict or the Investment Score and only guides the timing of any entry.

Final verdict

Would an investor put new money into Microsoft at $506.24? Yes, inside $496-$515. It is the largest enterprise cloud and software platform, Azure is growing close to 50% against a $677bn backlog, and the shares trade at 21.0 times fiscal 2028 earnings after a market-wide de-rating rather than a change in the business. Ignite showed Microsoft building its own models and chips beside its partners, which is the right direction but small in the numbers for now. What would invalidate the thesis is capex running ahead of contracted demand, or OpenAI's position weakening while it is still nearly 11% of revenue; a daily close below $478 would mark the case as broken.

Sources

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Daily price history and price of record: Twelve Data, 17 November 2026 close.

This report is for informational purposes only and does not constitute financial advice or a recommendation to buy or sell any security. Figures marked as own calculations or estimates are derived from the stated inputs. Forward-looking statements are uncertain and may prove wrong.