

Apple drops iPhone bombshell on already reeling stock market

By MICHAEL LIEDTKE
AP Technology Writer

SAN FRANCISCO — Apple acknowledged that demand for iPhones is waning, confirming investor fears that the company's most profitable product has lost some of its luster.

The reckoning came in a letter from Apple CEO Tim Cook to the company's shareholders released after the stock market closed Wednesday.

Cook said Apple's revenue for the October-December quarter — including the crucial holiday shopping season — will fall well below the company's earlier projections and those of analysts, whose estimates sway the stock market.

Apple now expects revenue of \$84 billion for the period. Analysts polled by FactSet had expected Apple's revenue to be about 9 percent higher — \$91.3 billion. The official results are scheduled to be

released Jan. 29.

Cook traced most of the revenue drop to China, where the economy has been slowing and Apple has faced tougher competition from home-team smartphone makers, such as Huawei and Xiaomi. President Donald Trump has also raised new tensions between the U.S. and China by imposing tariffs on more than \$200 billion in goods, although so far the iPhone hasn't been affected directly.

China's "economy began to slow there for the second half," Cook said during an interview with CNBC on Wednesday afternoon. "The trade tensions between the United States and China put additional pressure on their economy."

Cook also acknowledged that consumers in other markets aren't buying as many of the latest iPhones, released last fall, as Apple had anticipated — a factor that could stem



AP Photo/Richard Drew, File

This Oct. 22, 2018, file photo, shows the iPhone XS, from left, iPhone XR, and the iPhone XS Max in New York.

from a starting price of \$1,000 for Apple's top-of-the-line iPhones.

Apple's stock plunged 7 percent to \$146.40 in Wednesday's extended trading. The shares had already fallen 32 percent from their peak in early October when investors still had high hopes for the new iPhone models. Apple's troubles may have ripple effects on other technology companies, given

investors have been bailing on the industry in recent months. The tech-driven Nasdaq composite index now stands 18 percent down from its record closing high reached in August.

Now, Apple must try to find a way to win back Wall Street's confidence and reverse a steep decline that has erased \$350 billion in shareholder wealth in just three months.

"This is Apple's darkest

day during the Cook era," Wedbush Securities analyst Daniel Ives said. "No one expected China to just fall off a cliff like this."

While President Donald Trump's trade war with China isn't helping Apple and other U.S. technology companies, Ives believes Apple miscalculated by continuing to roll out high-priced phones in China, creating an opening for rivals with less costly alternatives that still worked well.

The price gap is one reason Huawei surpassed Apple in smartphone sales from April through September last year to seize the No. 2 spot behind industry leader Samsung, according to the research firm International Data Corp.

"The question now is will Apple change its strategy or stick to its hubris," Ives said.

To help boost iPhone sales, Cook said Apple will expand its financing plans and build upon its recent efforts to make it easier to

trade in older models at its stores.

But outsiders will find it harder to see how that's working out. In November, Apple unexpectedly announced that it would no longer disclose how many iPhones it ships each quarter, ending a long-running practice. Wall Street immediately interpreted the move as an attempt to mask a slow but steady downturn in sales.

Apple said at the time that it wanted to reduce investor focus on its iPhone division and instead highlight other promising areas of its business, including its services division that sells subscriptions for music streaming, collects app-related commissions and repairs malfunctioning devices.

But the company now expects its annual revenue to fall 5 percent from the previous year's level. That reversal of fortune could reinforce fears of a global economic slowdown.

No deal to end shutdown; Trump says 'could be a long time'

By LISA MASCARO AND CATHERINE LUCEY
Associated Press

WASHINGTON — No one budgeted at President Donald Trump's White House meeting with congressional leaders Wednesday, so the partial government shutdown persisted through a 12th day over his demand for billions of dollars to build a wall along the U.S. border with Mexico. They'll try again Friday.

In one big change, the new Congress convenes Thursday with Democrats taking majority control of the House, and Democratic leader Nancy Pelosi said outside the White House that there would be rapid passage of legislation to reopen the government — without funds for the border wall. But the White House has rejected that package, and Trump said ahead of the session with the congressional leaders that the partial shutdown will last "as long as it takes" to get the funding he wants.

"Could be a long time or

could be quickly," Trump said during lengthy comments at a Cabinet meeting at the White House, his first public appearance of the new year. Meanwhile, the shutdown dragged through a second week, closing some parks and leaving hundreds of thousands of federal employees without pay.

Democrats said they asked Trump directly during Wednesday's private meeting held in the Situation Room why he wouldn't consider their package of bills. One measure would open most of the shuttered government departments at funding levels already agreed to by all sides. The other would provide temporary funding for Homeland Security, through Feb. 8, allowing talks to continue over border security.

"I said, Mr. President, Give me one good reason why you should continue your shutdown," Senate Minority Leader Chuck Schumer said afterward. "He could not give a good answer."

Added Schumer, "We

would hope they would reconsider."

House Republican leader Kevin McCarthy said there's no need to prolong the shutdown and he was disappointed the talks did not produce a resolution. He complained that Democrats interrupted Homeland Security officials who were trying to describe a dire situation at the border.

"We were hopeful that we could get more of a negotiation," said McCarthy.

He said the leaders plan to return to the White House Friday to continue negotiations.

The two sides have traded offers, but their talks broke down ahead of the holidays. On Wednesday, Trump also rejected his own administration's offer to accept \$2.5 billion for the wall. That offer was made when Vice President Mike Pence and other top officials met with Schumer at the start of the shutdown. Instead, on Wednesday Trump repeatedly pushed for the \$5.6 billion he has demanded.

Making his case ahead of

the afternoon session with Democratic and Republican leaders, he said the current border is "like a sieve" and noted the tear gas "flying" overnight to deter arrivals.

"If they knew they couldn't come through, they wouldn't even start," Trump said at the meeting, joined by Cabinet secretaries and top advisers, including Jared Kushner and Ivanka Trump.

Trump complained that he had been "lonely" at the White House during the holiday break, having skipped his getaway to Mar-a-Lago in Florida. He claimed his only companions were the "machine gunners," referring to security personnel, and "they don't wave, they don't smile." He also crit-

icized Pelosi for visiting Hawaii.

At the Capitol on Wednesday, Pelosi said she hoped Republicans and the White House "are hearing what we have offered" to end the shutdown.

Trump contended the Democrats see the shutdown fight as "an election point" as he celebrated his own first two years in office. He promised "six more years of great success."

The partial government shutdown began on Dec. 22. Funding for the wall has been the sticking point in passing funding bills for several government departments.

Pelosi, who is expected to become speaker on Thursday, said Tuesday

that Democrats would take action to "end the Trump Shutdown" by passing legislation Thursday to reopen government.

"We are giving the Republicans the opportunity to take yes for an answer," she wrote in a letter to colleagues. "Senate Republicans have already supported this legislation, and if they reject it now, they will be fully complicit in chaos and destruction of the President's third shutdown of his term."

But the Republican-led Senate appears unlikely to consider the Democratic funding bills. A spokesman for GOP leader Mitch McConnell said Republicans would not take action without Trump's backing.



Mamta Popat /Arizona Daily Star via AP

"It's the first time we've seen snow the desert," says Mayra Vasquez who brought Valeria Luzania, 11, and MarcoDario Luzania, 8, to Saguaro National Park East on Wednesday.

Desert cities in Southwest see freeze

PHOENIX (AP) — The weather was flipped Wednesday throughout much of the U.S. West, with snow falling on cactuses in the Arizona desert and Anchorage seeing balmy weather — at least by Alaska standards.

In Phoenix, the overnight low was 30 degrees for the first time in five years and more cold temperatures were expected Thursday. The Tucson area saw as much as 6 inches of snow.

"It was pretty magical," said Jessica Howard, a resident of the Tucson suburb of Vail who took her 8- and 5-year-old children to play in the snow. "My social media feeds are like 100 percent snow pictures right now."

Snow dusted cactuses

and mountains in southern Arizona and covered the Grand Canyon in the north.

Elsewhere, the National Weather Service issued a freeze warning in the Nevada county where Las Vegas is located. Snow fell and stuck Tuesday on a desert highway over a mountain just 20 minutes outside Sin City.

Albuquerque, New Mexico, saw heavy snowfall and icy roads that caused many government agencies and schools to close.

The cold weather and snow is "quite uncommon" for the area, said Glenn Lader, a National Weather Service meteorologist in Tucson. Nogales, an Arizona city on the Mexico border, had about 6 inches of snow, he said.

Even Southern California got a bit of the action, with rain expected as part of already cold, windy weather.

Meanwhile, some parts of Alaska rang in the new year with relatively balmy weather for the region that helped melt snow in Anchorage. A change in the jet stream brought warmer air from the south, taking the temperature to 42 degrees on New Year's Day.

It was a nice respite from a winter mix that left 32.6 inches of snow on the ground in Anchorage in December, with most of it falling during the last half of the month.

Colder weather was in the forecast, with high temperatures dropping to the teens or even single digits.

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