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## Earnings Season: US stock markets climb to record levels after unexpectedly good figures

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### Earnings Season: US stock markets climb to record levels after unexpectedly good figures

In the US stock markets, earnings season reached its peak in the previous week. A number of major players have already published their results for Q1. In the run-up, disappointing quarterly results with profit declines had been feared; however, most of these proved to be unfounded, and, in fact, numerous companies even exceeded analysts' expectations. In New York, the S&P 500 and the Nasdaq Composite responded with new highs both during the day and at close.

### Pleasant surprises in various industries

By the middle of the week, 129 companies had already presented their results. According to news agency Reuters quoting data from financial data provider Refinitiv, more than 75 per cent exceeded expectations, including, among others, the operators of the social networks *Twitter* and *Facebook* as well as toy group *Hasbro*. Technology corporation *United Technologies* and arms manufacturer *Lockheed Martin* also pleased investors with positive figures and have already raised their profit expectations for the whole year. Established IT company *Microsoft* attracted attention in particular with its figures for the first quarter of the year: owing to its flourishing cloud service business, Microsoft increased its revenue in the first three months of 2019 by 14 per cent to USD30.57bn, with profit increasing by 19 per cent to around USD8.8bn. In this manner, positive surprises in the quarterly figures were found across various industries and sectors.

# US stock markets climb to record highs during earnings season



\* 25 April 2019

Commissioned by Erste Asset Management; source: APA

APA contract chart

Note: Past performance is not indicative of future development.

## Good reasons for disappointing figures

Analysts noted that, considering the positive environment the current results create, disappointing figures would weigh more heavily. However, specific reasons rather than general economic concern caused some companies to fall short of expectations – *Boeing* being one of those. For the time being, the aircraft manufacturer retracted all forecasts for the year as a whole, mainly because of the uncertainty caused by the launch bans on its 737-Max models following two crashes. Construction machinery giant *Caterpillar* was unable to present convincing revenue figures, in this case, the company reported, because of weak sales in Asia and the Pacific. However, the construction machinery group may be able to look forward to positive developments in the trade dispute and a subsequent pick-up of sales.

## Expectations for stock market before possible trading agreement

Since the markets' heavy index losses in the final quarter of the previous year, negotiations between the USA and China have made significant progress. For many investors, an agreement in the trade conflict seems only a matter of time and is regarded as the next important milestone for the stock markets. Furthermore, the Federal Reserve's restraint in the current year has had a positive effect on the stock market, and, finally, analysts' profit expectations have improved significantly since the beginning of April and as earnings season gained momentum.

**Conclusion: Company results in the USA are surprisingly positive and the stock markets are rewarding this with share price increases.**

## Legal note:

Prognoses are no reliable indicator for future performance.

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