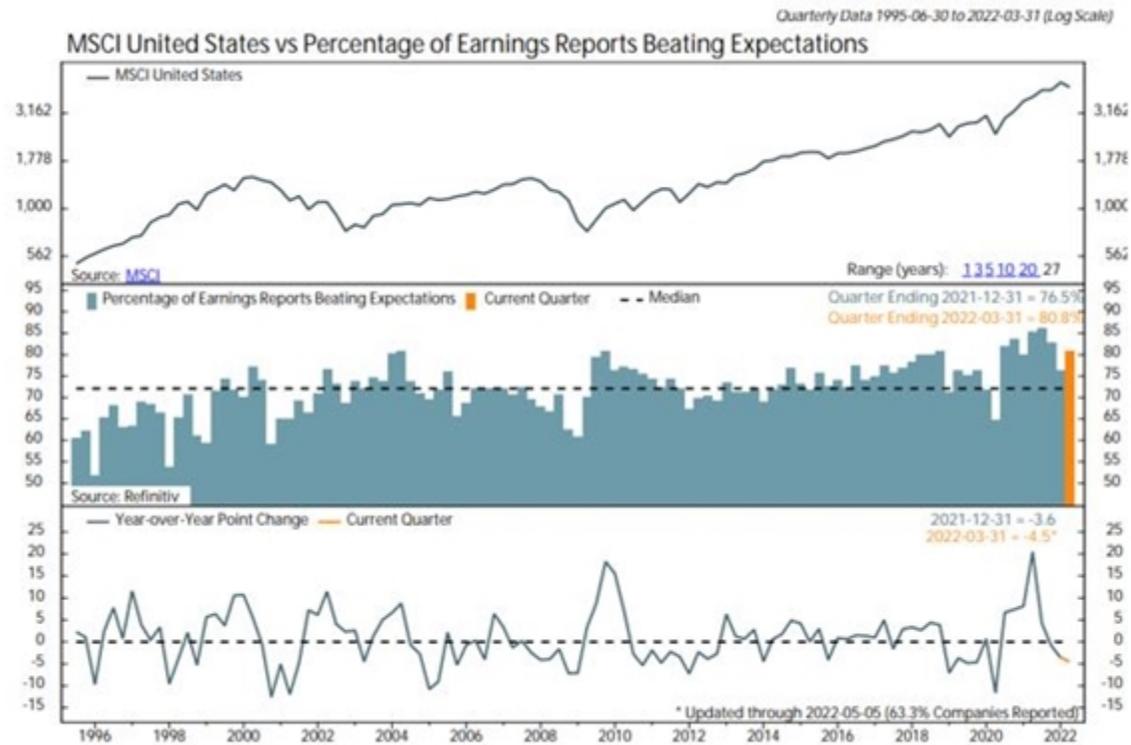


MONDAY MARKETS MAIL

Key topics at a glance.

Despite a good "earnings season" in the USA, the
focus is on interest rate hikes and inflation

Kathrein Statement



Quelle: Ned Davis Research

The current "earnings season", in which listed companies present their quarterly results, is ending. In the USA, around 87% of the S&P 500 companies have already presented their figures for the first quarter of 2022. In Europe it is still less than 50%, which is why we are concentrating on the analysis of the US market for the time being, and it is surprisingly positive.

Four-fifths of companies surprise positively

Profits on an index basis rose by 7.9% in the USA, and company sales even increased by around 14% on average. In the process, analysts' earnings estimates were exceeded by 78% of the companies. However, there were major negative surprises in the non-basic consumer goods sector. The most prominent example is the online retailer Amazon. Instead of a profit expected by analysts, it reported a loss per share of USD 7.56 in the first quarter. The reaction on the stock market was correspondingly negative. Amazon's share price fell by more than 14% after the disappointing figures.

Most of the positive surprises were in the commodities sector. Here, for example, the chemical company Dow Inc. shone with earnings per share that were 13.17% above the analysts' consensus estimate. The reaction of market participants was correspondingly positive; the share price rose to a new 52-week high on the day of the announcement.

Companies from the energy sector benefited from the high crude oil prices. Profits in the sector increased 2.5-fold compared to the first quarter of 2021. Nevertheless, the big players such as Exxon or Chevron disappointed in earnings and revenue expectations. The investment

company Berkshire Hathaway nevertheless continued to increase its share packages in the oil companies Chevron and Occidental Petroleum. Petroleum equipment companies such as Halliburton or Schlumberger fared better, benefiting from a significant increase in business volume.

Mixed picture

In the important IT sector (around 25% of the market capitalization of the S&P500) the picture was very heterogeneous. While stock market giants such as Apple, Microsoft or Qualcomm exceeded expectations, there were negative surprises at Oracle, Versign or Seagate Technology, among others. Overall, however, profit and sales growth in this sector was solid.

In the financial sector, the large financial institutions also disappointed due to significantly lower fees in mortgage and investment banking. Things went better for the major credit card companies; American Express and Mastercard in particular created a good atmosphere among investors with very good quarterly figures.

Of course, shares have been able to profit from falling interest rates in the past. However, in addition to the development of corporate profits, the interest rate level is also a significant price driver. If profits rise, then as a rule share prices also rise. With interest rates, the influence is reversed. The higher the interest rate level, the lower shares are valued (measured by the price-to-earnings ratio). This is because investors prefer a safe return to high-risk investments.

All in all, the reports were surprisingly positive (see chart above). However, this did not help the overall market either. At the moment, rising interest rates due to high inflation in the USA are causing more concern for investors. Especially the growth stocks from the IT sector, which were among the winners during the pandemic, are being revalued due to the higher cost of capital.



LINKEDIN



MAIL



KATHREIN.AT

About us

Kathrein Privatbank AG, headquartered in Vienna's first district, was founded by Carl Kathrein in 1924 and is one of the leading private banks in the German-speaking countries. Our core competence lies in the management of private, corporate and institutional assets as well as the assets of private foundations. As a subsidiary of Raiffeisen Bank International AG, Privatbank offers the advantages of a flexible, independent as well as service-oriented institution and the security of a stable, international banking group.

NEWSLETTER ABBESTELLEN

Contact

Adress:
Wipplingerstraße 25
1010 Vienna, Austria

+43 1 53451-0
privatbank@kathrein.at

Kathrein Privatbank Aktiengesellschaft © 2020 All Rights Reserved

Disclaimer

This document is for your information only and is therefore not subject to the provisions of the WAG 2018, which are intended for the dissemination of financial analyses. The content of this document represents the in-house opinion of Kathrein Privatbank Aktiengesellschaft, it is not legally binding and does not constitute a recommendation to act or an offer to buy or sell securities or other financial instruments.

An investment decision regarding any securities or other financial instruments should only be made on the basis of a consultation and not solely on the basis of this communication.

Although we believe that the third-party sources relied upon for this communication are reliable, we cannot assume any liability for the completeness, accuracy or timeliness of the information reproduced herein.

The analyses and conclusions are of a general nature and therefore do not take into account the individual needs of investors in terms of return objectives and risk tolerance.