

Bloomberg

Stock Market Has Saving Grace Right Now in Industrial Earnings

By [Lu Wang](#) and [Esha Dey](#)
April 24, 2018

Caterpillar Inc. is leading industrial companies toward something that equity bulls have been hoping for: Better-than-expected earnings and a rally in share prices.

It's the kind of reaction that has been mostly elusive since banks kicked off the reporting season about two weeks ago. Profits are running ahead of analyst estimates, but stocks are getting no reward. And when they miss, chipmakers and consumer staples did, they're punished even harder.

Companies that produce heavy equipment and machinery are the shining stars so far in what otherwise would have been a depressing earnings season. With the broader industrial economy climbing out of a multi-year slowdown, firms such as Textron Inc. have bounced back with strong results and an upbeat outlook. Their stocks rose an average 1.2 percent on the first day post results, compared with declines of more than 2 percent for tech and consumer staples.

Their buoyancy was on display Tuesday as Caterpillar jumped as much as 4.6 percent after raising its outlook for the year on continued strength for construction in North America and infrastructure in China. In aerospace, United Technologies Corp. boosted its forecast on the back of the "strongest first-quarter organic-growth rate" in seven years and the stock climbed as much as 3.1 percent.

Without industrials, it would have been another lousy earnings day, considering Google's parent Alphabet Inc. fell as much as 4 percent despite better-than-expected profits.

The good news from industrial peers brought relief to an industry where stocks had been hurt most by trade war-related concerns. Before this month, the group fell 2 percent this year, almost double the loss in the S&P 500.

Expectations were also low for many heading into the reporting season. For instance, analysts had warned General Electric Co. might cut its guidance. Its stock surged almost 4 percent Friday as the firm reaffirmed its full-year outlook.

"There is a possibility that all of the concerns about the trade war are not going away, but for now they don't seem to be filtering through," said **Mark Kepner**, managing director and equity trader at **Themis Trading LLC** in Chatham, New Jersey. "That's a good sign: when you think about the economy that's doing well, you would think about the industrials doing well."

— With assistance by Elena Popina