Forbes

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INVESTING 5/03/2016 @ 11:15AM | 95 views

The Strong Dollar Cry-Baby Round-up

In the past few quarters, when earnings reports are released, we've been hearing a lot of whining from large corporate America about the strength of the US Dollar.

Well, get used to it. It doesn't appear the strong dollar will be subsiding anytime soon.

Also, the US dollar index is well off its high point from Nov 15 when it topped 100 and has steadily declined throughout Q1, 2016.

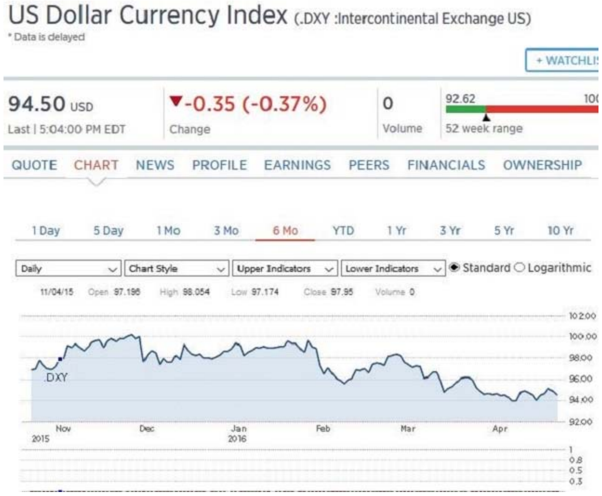
So, why are these companies crying? And who is crying?

The list is long and varied. It includes the following sample of major companies:

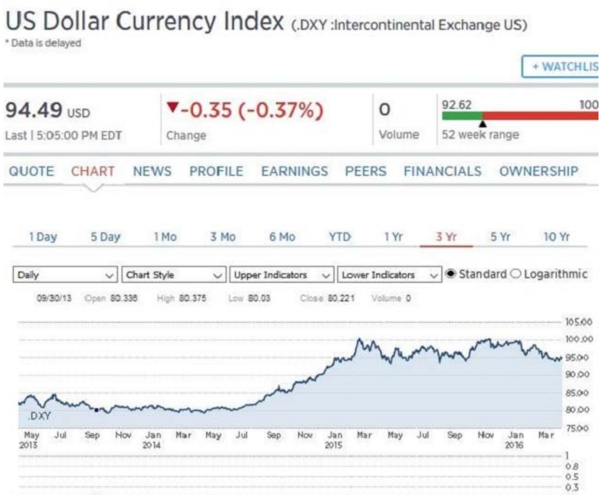
DuPont, Coca-Cola, Pepsi, Philip Morris, Procter & Gamble, Alphabet (Google), Dow, Microsoft , IBM , Johnson & Johnson, United Airlines, Whirlpool, and even McDonald's. DuPont said the strong dollar made revenues decline by 4%. Apple said, "As we had expected, our comparisons to last year were influenced by the continued strength of the US dollar against foreign currencies." P&G said that the strong dollar cost them $90million or $0.03 per share. GE said the strong dollar cost them $0.02 per share.

What are the facts?

The fact is that for the past few months, the dollar has been weakening as seen in this chart...



But overall, it's true that the US dollar actually is still relatively strong by historical standards as shown by this 5-year chart…



Given this information what observations can investors make?

1. Try to find great companies that have the ability to grow, even if the dollar remains strong by historical standards. Such as Under Armour (UA), Ulta Salon (ULTA), Global Payments (GPN), and Southwest Air (LUV).

2. Consider the possibility that "when" the dollar actually does weaken, companies like P&G will have increased revenue, even if they don't sell one additional box of detergent and that the new-found revenue will drop right to the earnings bottom line. So, using P&G as an example of a company with a high P/E ratio (currently at 27), they look awfully expensive, BUT, may get a tailwind

at some point in the future.

***Disclosures**:*

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