

Margin-Growth Fatigue a New Pressure Point for S&P: Taking Stock
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By Elena Popina

(Bloomberg) -- The earnings season may be winding down, but the pain from souring momentum in future profit growth it's uncovered will continue to linger in the weeks ahead.

* From the start of the earnings season in January to this morning, when Walmart Inc.'s announcement heralded its unofficial end, Wall Street analysts have been reducing their profit outlook on the quarter that ends next month non-stop. If history is any guide, analysts are not done with their cuts yet even after five weeks of reducing estimates, based on a model tracked by Bloomberg Intelligence that measures how prior pre-season forecasts have stacked up next to actual results.

* Anxiety about commodity inflation, supply-chain disruptions and labor shortages is weighing on sentiment as interest rates rise and the pace of economic expansion cools down. A jump in revenue has been able to offset some of the pressure, but concern is on the rise that corporations' rush to rein in costs can only go so far.

* "This is a growing concern," Chris Harvey, head of equity strategy at Wells Fargo Securities, said in a note to clients. "This suggests: 1) pricing and inflation impacts are becoming more evident, and 2) supply-chain constraints have reduced some higher-margin sales."

* Analysts have cut their profit-margin expectations for 75% of industries and about half of companies in the S&P 500 for the first and second quarters, data compiled by Bloomberg Intelligence show. Companies' wherewithal to defend profitability amid mounting pricing pressures is becoming a growing issue at a time when the hottest inflation in four decades and higher borrowing costs threaten to crimp growth.

* Anxiety about a faster-than-expected wind-down to the Federal Reserve's asset-buying program and a quicker pace of rate hikes has pushed sell-side analysts to cut their first-quarter profit growth expectations to 5.4% last week from 6.7% in the first week of January. That figure, too, looks set to drop further to 3.5%, according to a Bloomberg Intelligence model that tracks the correlation between analysts' pre-season forecasts and actual profit growth in the past two years.

* "Negative revision momentum may remain a weight on stocks in

the weeks ahead,” said Gina Martin Adams, chief equity strategist at Bloomberg Intelligence. “Improving top-line growth views are still offset by inflation pressure.”

* More than 70% of S&P 500 companies are done with their earnings announcements. Among those that have already reported, 76% have outpaced analysts’ profit estimates, the lowest rate of beats since the first quarter of 2020.

COMPANY NEWS:

* Applied Materials shares are up 2% in premarket trading after the semiconductor capital equipment company reported first-quarter results that beat expectations. Analysts were positive on the report, writing that it shows the company’s ability to navigate supply chain challenges that have weighed on peers.

* The National Highway Traffic Safety Administration is investigating complaints of Tesla Inc. cars with Autopilot driver assist that suddenly brake at high speeds, the latest in a string of confrontations between the company and safety regulators.

* Nvidia Corp., which walked away from a \$40 billion acquisition of Arm Ltd. earlier this month, failed to impress investors with its latest forecast, a sign of the lofty expectations for the most valuable U.S. chipmaker.

* Amazon.com Inc. has agreed to accept Visa Inc.’s cards across its global network, settling a feud that threatened to damage the financial giant’s business and disrupt e-commerce payments.

* U.S. authorities conducting a criminal probe into how Morgan Stanley executives handle block trades are examining recordings of phone calls between the bank and outside fund managers, according to people with knowledge of the inquiry.

* ESentire Inc., a cybersecurity company backed by private equity firm Warburg Pincus, has struck a deal to sell a stake to two investment firms at a \$1.2 billion valuation, according to people familiar with the matter.

* See the U.S. Movers column for today’s most active stocks

NOTES FROM THE SELL-SIDE:

* Fastly shares plunge 29% premarket after the infrastructure software company forecast revenue for 2022 that missed the average analyst estimate. Piper Sandler and Morgan Stanley both cut their price targets on the stock.

* [Click here](#) to see other analyst ratings news in the U.S

UPCOMING EVENTS:

Eco Data

- * 8:30am: Jan. Housing Starts, actual 1.64m, revised prior 1.7m
- * 8:30am: Jan. Building Permits, actual 1.9m, revised prior 1.89m
- * 8:30am: Feb. Initial Jobless Claims, actual 248k, revised prior 225k
- * 8:30am: Feb. Philadelphia Fed Business Outl, actual 16, prior 23.2
- * 10:30am: Feb. EIA Natural Gas Storage Change, est. -195, prior -222

Central Banks

- * 3:45am: ECB's de Cos speaks about monetary policy at Bruegel event
- * 4am: ECB publishes Economic Bulletin
- * 9am: ECB's Lane speaks
- * 11am: Fed's Bullard discusses the economy and policy outlook
- * 5pm: Fed's Mester speaks on economic and policy outlook

Earnings

- * Premarket
- ** Atlas Air Worldwide Holdings (AAWW US)
- ** AutoNation Inc. (AN US)
- ** Baxter International Inc. (BAX US)
- ** Brady Corp. (BRC US)
- ** Cbiz Inc. (CBZ US)
- ** Chimera Investment Corp. (CIM US)
- ** Epam Systems Inc. (EPAM US)
- ** Focus Financial Partners Inc. (FOCS US)
- ** Gentherm Inc. (THRM US)
- ** Genuine Parts Co. (GPC US)
- ** Idacorp Inc. (IDA US)
- ** Insmid Inc. (INSM US)
- ** Integer Holdings Corp. (ITGR US)
- ** InterDigital Inc. (IDCC US)
- ** Iridium Communications Inc. (IRDM US)
- ** LKQ Corp. (LKQ US)
- ** Mednax Inc. (MD US)
- ** Multiplan Corp. (MPLN US)
- ** Organon & Co. (OGN US)
- ** Palantir Technologies Inc. (PLTR US)
- ** Pool Corp. (POOL US)
- ** Portland General Electric Co. (POR US)
- ** R1 RCM Inc. (RCM US)

- ** Reliance Steel & Aluminum Co. (RS US)
- ** Repligen Corp. (RGEN US)
- ** Sealed Air Corp. (SEE US)
- ** SolarWinds Corp. (SWI US)
- ** Southern Co. (SO US)
- ** Stepan Co. (SCL US)
- ** Syneos Health Inc. (SYNH US)
- ** Tri Pointe Homes Inc. (TPH US)
- ** Trinity Industries Inc. (TRN US)
- ** US Foods Holding Corp. (USFD US)
- ** Visteon Corp. (VC US)
- ** Vontier Corp. (VNT US)
- ** Walmart Inc. (WMT US)
- ** West Pharmaceutical Services (WST US)
- ** Yeti Holdings Inc. (YETI US)
- * Postmarket
- ** AMN Healthcare Services Inc. (AMN US)
- ** Air Lease Corp. (AL US)
- ** Alliant Energy Corp. (LNT US)
- ** Ameren Corp. (AEE US)
- ** American Equity Investment Life Holding (AEL US)
- ** Appian Corp. (APPN US)
- ** AptarGroup Inc. (ATR US)
- ** Cannae Holdings Inc. (CNNE US)
- ** Casella Waste Systems Inc. (CWST US)
- ** Cognex Corp. (CGNX US)
- ** Consolidated Edison Inc. (ED US)
- ** DiamondRock Hospitality Co. (DRH US)
- ** Digital Realty Trust Inc. (DLR US)
- ** Dropbox Inc. (DBX US)
- ** Exelixis Inc. (EXEL US)
- ** Globant SA (GLOB US)
- ** Globus Medical Inc. (GMED US)
- ** Hannon Armstrong Sustainable (HASI US)
- ** Instructure Holdings Inc. (INST US)
- ** Keysight Technologies Inc. (KEYS US)
- ** Kinsale Capital Group Inc. (KNSL US)
- ** Ligand Pharmaceuticals Inc. (LGND US)
- ** Livent Corp. (LTHM US)
- ** MSA Safety Inc. (MSA US)
- ** Matson Inc. (MATX US)
- ** Park Hotels & Resorts Inc. (PK US)
- ** Quidel Corp. (QDEL US)
- ** Realogy Holdings Corp. (RLGY US)

- ** Redfin Corp. (RDFN US)
- ** Roku Inc. (ROKU US)
- ** Shake Shack Inc. (SHAK US)
- ** Shockwave Medical Inc. (SWAV US)
- ** Sunrun Inc. (RUN US)
- ** Telephone & Data Systems Inc. (TDS US)
- ** United States Cellular Corp. (USM US)
- ** Ventas Inc. (VTR US)
- ** Washington Real Estate Investment Trust (WRE US)

Other:

- * Annual general meetings: GFF US, MATW US
- * Other shareholder events: ATI US, GPK US, INTC US, MNR US
- * Other/M&A: ARVN US
- * For a look at key upcoming global events, click here

To contact the reporter on this story:

Elena Popina in New York at epopina@bloomberg.net

To contact the editor responsible for this story:

Michael P. Regan at mregan12@bloomberg.net

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