

US companies starting to see relief from pains of strong dollar

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NEW YORK: The sluggish U.S. economy is proving to be a relief for U.S.-based companies struggling under the weight of the strong dollar and could lead to more positive earnings surprises in the weeks ahead.

Companies including Whirlpool Corp, Johnson & Johnson, and Xerox Corp have told investors over the last two weeks that they see the pain from the dollar's two-year rally easing, allowing them in some cases to beat earnings estimates and raise their outlooks for the rest of the year

Less well-known companies are benefiting, too: insect repellent company Rollins Inc said the weaker dollar was a key reason why it beat estimates when it announced its quarterly results Wednesday, while medical supply maker C.R. Bard Inc cited the weakening of the dollar when it announced that it was raising its guidance for the year

"We think we've seen an inflection point where for the balance of the year there should be less of a drag from currency," said Phil Orlando, equity strategist at Federated Investors.

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A weaker dollar helps U.S. companies by making their products cheaper overseas, while also boosting the value of revenues earned in local currencies when translated back into dollars. Most large companies hedge at least part of their foreign revenues, so the effect of currency fluctuations often translates to less than 5 percent of total earnings, Orlando said.

Yet at a time when many companies are struggling to post any year-over-year earnings growth, unexpected relief from the strong dollar blues could be enough for them to beat estimates and send shares higher.

Johnson & Johnson, for instance, said the strong dollar took a 3.3 percent slice out of global sales in its first quarter, half of the impact from the quarter before. Its shares rose 2.7 percent after it reported its results, hitting a record high.