

The Street

Earnings Weigh on Stocks, Headwinds Emerge From Strong U.S. Dollar

By: Bret Kenwell (excerpt)
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NEW YORK (TheStreet) -- **The Dow Jones Industrial Average** is down roughly 1.5% on Tuesday, being weighed on by disappointing earnings results from **Microsoft**, **Procter & Gamble** and **Caterpillar**. Many of these large multinational companies are suffering at the hands of a rising U.S. dollar, which is crimping profits and hurting margins.

The result isn't just on earnings, but also on forward guidance as companies predict worse-than-expected results going forward, David Kudla, CEO and chief investment strategist at Mainstay Capital Management, said on CNBC's "Fast Money Halftime" show. The results are somewhat disappointing, but investors seem to be overreacting to the news.

Pete Najarian, co-founder of optionmonster.com and trademonster.com, had a similar stance, acknowledging the results were disappointing, but that investors seem to be overreacting and selling too much. These results are catching investors off guard, but the U.S. is still the best place to invest. ...

...While everyone on the panel seems to think investors are overreacting, maybe they're not. According to Ian Winer, head of equity trading at Wedbush Securities, 2015 earnings per share for the S&P 500 could come in lower than 2014, which would put a real question mark on the market's valuation.

The strengthening U.S. dollar will continue to weigh on multinational companies, Winer added. He's not as bullish on stocks and also believes it will be "very difficult" for the **Federal Reserve** to raise interest rates this year. He has a year-end target of 1,800 for the S&P 500. ...

...For their final trades, Najarian is buying **Merck** and Lebenthal is a buyer of **BP**. Kudla said to buy **Ford** and Winer is a seller of **CarMax Group**.