

Why Ford is talking like auto sales have peaked

By Greg Gardner
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A \$2-billion profit for three months is nothing to sneeze at, but Ford executives are sounding as if they had been debriefed by a coal miner's canary chirping about how it's feeling a little light-headed underground.

Automakers are spending more on rebates and other discounts to lure buyers. More customers are defaulting on car payments, although the total is still historically low. ...

...For most of the last year, selling new vehicles, especially pickups, SUVs and crossover models, has been like shooting fish in a barrel. Credit was easy. Interest rates are still low. Consumers have been able to borrow enough for the car they wanted, rather the one they needed.

But the cars they're trading in have fetched lower prices at used-car auctions. And there was a modest uptick in delinquencies for Ford Credit. ...

...In historical context, the market is still strong, just not as giddy as it was between last fall and early spring. But the signals became apparent to Fields and Shanks in recent weeks.

"I would call them early signs of the maturation of the cycle," Shanks said. ...

...Stock for General Motors, which last week surprised on the upside with a \$2.9-billion second-quarter net income, slipped more than 3.5%. Fiat Chrysler, which Wednesday beat Wall Street expectations with a \$352-million second-quarter profit, saw its shares drop more than 5% in midafternoon trading.

"You already have investors out there who have expected the auto cycle in the U.S. has peaked, and Ford gave them confirmation," said David Kudla, CEO of Mainstay Capital Management in Grand Blanc.

What is he telling his clients about auto stocks?

"We've been neutral on autos for a while, and where we have held them in our portfolios, we have reduced our holdings in recent months," Kudla said. "In the U.S., the increased competitiveness for that flat or shrinking market will lead to increased incentives and as an automaker, that hurts your bottom line."