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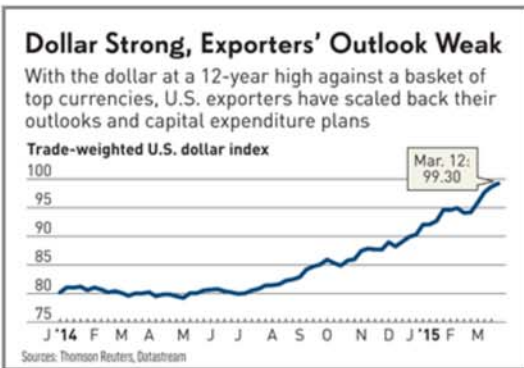
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For U.S. companies that bring in revenue from overseas, currency headwinds mean lower earnings and shaky guidance, squeezing capital spending further after energy firms slashed tens of billions of dollars from their 2015 budgets.

Earnings estimates are falling as fast as the dollar is climbing. Since January 2014, the dollar has surged 24% vs. major currencies. Thomson Reuters now sees profits at S&P 500 companies collectively dropping by 2.8% this quarter — the first yearly decline since Q3 of 2009.

At the start of the year, Thomson Reuters projected a 5.3% increase in Q1 earnings.



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In an early sign that this rapid reversal in earnings prospects is hitting budgets, the latest Duke University/CFO Magazine Global Business Outlook Survey found that one out of four U.S. firms with at least a quarter of total sales overseas have cut capital expenditures.

'Competitive Depreciation'

"We are in a midst of an ugly contest to see whether the eurozone, Japan or Canada can depreciate the most against the U.S. dollar, and China is probably next," said Campbell Harvey, a founding director of the survey, in a statement. "U.S. exporters are being punished by these competitive depreciations, and this will lead to lower profits and less employment."

Meanwhile, U.S. oil producers look to invest \$50 billion this year, according to Citigroup estimates, about half what they spent in 2014, with the price of crude half of what it was in June.

And as the strong dollar hammers earnings, it will also keep oil prices down because most crude contracts are priced in dollars, further weighing on energy

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sector capex.

About 30%-35% of total revenue for all S&P 500 companies combined comes from outside the U.S., said Greg Harrison, senior [research](#) analyst at Thomson Reuters, while the majority have at least some exposure abroad.

In Q4, S&P 500 profits were dragged down by energy companies, while [technology](#) and industrial companies were among the biggest gainers. Not so in Q1.

In fact, the tech sector, which has a lot of exposure to Asia, tops the list of industries that should be hit hardest by the strong dollar, Harrison said.

Intel (NASDAQ:[INTC](#)), which gets 83% of its revenue abroad, lowered its Q1 sales outlook Thursday to \$12.8 billion from \$13.7 billion, partly due to headwinds in Europe. It also cited weaker PC demand from businesses.

Hewlett-Packard (NYSE:[HPQ](#)) slashed its full-year EPS guidance last month by 30 cents to \$3.53-\$3.73, blaming currency headwinds.

And **Apple's** (NASDAQ:[AAPL](#)) Q1 revenue growth would have been 4% higher on a constant currency basis, said the company, were it not for weaker foreign currencies. In December, the iPhone maker temporarily axed sales in Russia as the ruble crashed.

Some tech companies are toughing it out better than others. Although 90% of **Priceline's** (NASDAQ:[PCLN](#)) revenue comes from abroad, the online travel agency topped Q4 earnings and revenue estimates last month.

But **VeriFone's** (NYSE:[PAY](#)) Q2 and full-year guidance fell below views as the electronic payment equipment company, which has clients and partners in 150 countries, said Tuesday that its outlook was hit by unfavorable exchange rates and "a more challenged Russia market."

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