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# And You Thought Q2 Earnings Were Bad?

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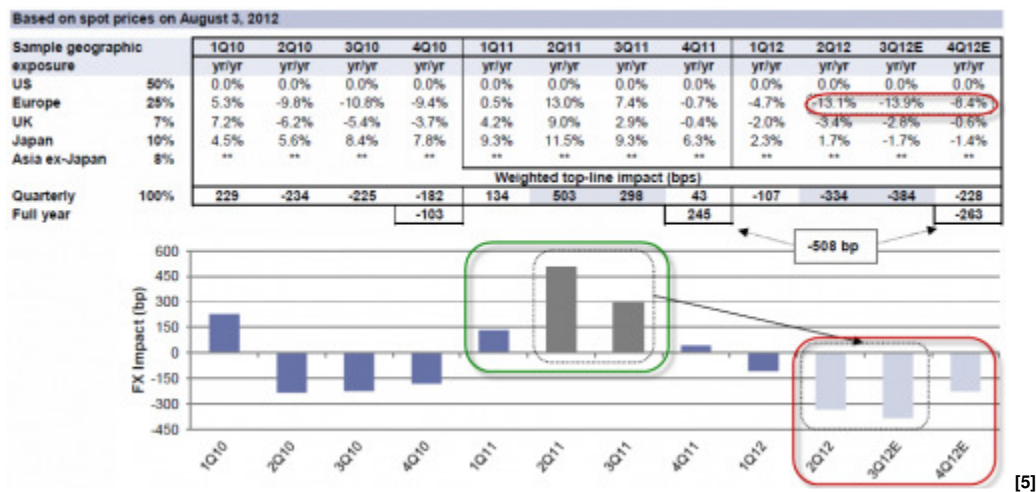
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Submitted by Tyler Durden [1] on 08/07/2012 22:20 -0400

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In a world of slow stagnating growth, foreign exchange variations can have a dramatic impact on top and bottom lines - especially in a market where hedges are flummoxed by government-influenced gap-after-gap and mismatch. As Goldman notes the headwinds of FX into Q2 are acute and have been painful for multi-nationals - with several high-profile companies missing and/or adjusting down forecasts due to the rise of the US dollar. **In spite of all the focus on Q2 earnings, we remind investors that Q3 and Q4 will also see significant currency headwinds - an impact we (and Goldman) believes is far from priced in for many companies in the market - a total top-line drag of over 5% YoY.**

***The year-over-year impact of FX rates has become a drag on growth for the typical multinational in 2012***



YOY changes assuming current spot rates of 1.23 USD/EUR, 1.56 USD/GBP and JPY/USD 78.60 hold through the rest of the year

**Via Goldman Sachs:**

- Our model estimates that FX boosted the top line of a typical multi-national company by nearly 2.5% in 2011, but that the yoy changes should result in close to a 2.6% headwind this year – **a total expected yoy drag of more than 5%**.
- We emphasize the continuation of the FX drag as we enter 3Q, where we model relative 7% yoy deterioration due to FX, based on current spot rates.
- During the on-going 2Q reporting season several multi-national companies have cited FX as a considerable headwind.



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