

BREAKING: US created 287K jobs in June vs. 175K expected, unemployment rate at 4.9 pct

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America's \$1.35 trillion cash hoard could drive stocks higher, technician says

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Thursday, 23 Jun 2016 | 1:14 PM ET



How dangerous is corporate America's cash hoard?

Wednesday, 22 Jun 2016 | 3:37 PM ET | 03:40

Cash is king — and corporate America is swimming in an ocean of it.

According to S&P Dow Jones Indices, companies in the [S&P 500](#) have a total of \$1.35 trillion in cash on their balance sheets — and one technical analyst says that could drive stocks to record highs.

"I think if we could get a little bit of clearer fiscal policy and repatriation of those dollars that come in we could actually see stepped up share buybacks or dividends and really start to see that money go back to work for shareholders," Craig Johnson said Wednesday on CNBC's ["Trading Nation."](#) "Ultimately that will push this market higher."

Companies spent [\\$589.4 billion on buybacks in the period that ended in March 2016](#) [PRO](#), up 12 percent from a year earlier per data from S&P Dow Jones Indices.

For those comparing the current environment to that of the dot-com bubble, Johnson noted one key differential.

"If you look at the number of investable stocks on the New York Stock Exchange today, we have about 25 percent fewer stocks than we did in 2000," said the Piper Jaffray technician. "That, plus all this cash is going to underpin a structural move higher in equity markets and something we could use in this tepid earnings growth environment."

Johnson expects the S&P 500 to rise to 2,350 by the end of 2016, a call

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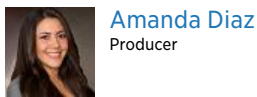
he has vehemently stood behind even in the face of heightened volatility.

For Eddy Elfenbein of the Crossing Wall Street blog, America's cash hoard could be dangerous for the market.

"The problem is that so much of that cash is held outside of the United States. The companies don't want to bring it home or it's a taxable event," he said Wednesday on "Trading Nation." "When you talk about cash for a single company that's a good thing, but on a macro level all of this cash — it's not a good thing for the system as a whole."

[JPMorgan](#), [Wells Fargo](#), [Apple](#) and [Berkshire Hathaway](#) are among the companies in the S&P 500 with the highest total cash.

"What really has to happen is the tax code needs to change and be more user friendly for shareholders to bring some of that money home," he said.



Amanda Diaz
Producer

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gary shapiro · 8 days ago
craig johnson said that? well i have to run and buy stocks then. if CNBC can have him on and quote him the i guess he must be someone who is an "expert".how comical cnbc has become. gartman, cramer, send in all the clowns...there is one truth to the future of the stock market..no one knows anything.
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AAPL is the one to buy. Berkshire Hathaway is investing in AAPL. And AAPL continues its enormous cash generation as its PE is puny and its dividend growing. AAPL is the most solvent entity on the planet and hs about 10% of the cash mentioned in this article. After the election very likely a repatriation compromise will be worked out. I can also tell you that I am in latin Amrica now and everyone who is with it seems to have an iPhone. It remains THE priority purchase for developing countries young people.
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UnionLeague · 15 days ago

Yes, but according to CNBC, American corporations carry six trillion in debt, so that cash might be needed just for solvency.

1 ^ | v · Reply · Share >



FreeMarketMan → UnionLeague · 14 days ago

Exactly. All the cash on their balance isn't from exceeds free cash flow - it is leftovers from the money they borrowed. US corporations have added much more debt than cash to their balance sheets over the past years - so their balance sheets have actually deteriorated.

2 ^ | v · Reply · Share >



ScubaSteve5150 · 15 days ago

all that money...and they 1) won't bring it back to the United States because of - Taxes (Greed), but they still get the protections of the United States Military, the comfort and protections of US local law enforcement, good clean, safe food supply, safe water, life, liberty and the pursuit of Happiness, local city and state tax breaks, incentives, loop-holes to set up shop etc. 2) won't expand operations or raise wages, but WILL issue stock buybacks and offer dividends. And all of these benefits "American" companies enjoy at the expense and protection by the very people they exploit. Must be nice.

3 ^ | v · Reply · Share >



LoveMercy → ScubaSteve5150 · 13 days ago



person lacks understanding of how the game is played, and instead of seeking truth, hates.

1) The objective of business is to make a profit, so it tries to maximize revenue and minimize expenses, such as taxes. It is the greedy government that seeks to make money from those that earn it, by imposing these taxes. That is where the focus of the anger should be: at government rule makers.

2) Companies do not like to have hordes of money in banks, so they put it to work to make more money than the interest they could earn in banks. If they decide to leave it overseas, then they invest there, growing businesses, building factories, hiring, and making more money. So, they do put the money to work expanding operations, just not here. Also, the longer the money is trapped overseas, the harder it is to bring it home.

[see more](#)

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Know Fool · 15 days ago

So, it's owned by corporations and it's mostly not in America. Your headline is therefore mostly meaningless.

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FINANCIERNJ · 15 days ago

They won't use that cash to create more jobs and benefit main street. Typical...

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jack · 15 days ago

Beware all ye betting against America.

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FreeMarketMan → jack · 14 days ago

I will bet against debt all day long!!!!

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Angusomy · 15 days ago

Companies having cash can only affect stock prices if there's a buyback. That's been going on for years.

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D. G. · 15 days ago

True but they still cant bring that money home without first paying taxes on it so they just go into debt to do the buybacks.

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Ryan Delpew · 15 days ago

More corporate welfare, just what we need.

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