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China, tariffs cost Ford big time

By Ian Thibodeau (excerpt)

Dearborn — Ford Motor Co. profits slid 37 percent in the third quarter due mainly to continuing losses in China and costly steel tariffs, the company said Wednesday, and it will not reach its pre-tax margin targets for 2020. Net income is down 27 percent for the year.

Ford booked net income of $991 million in the third-quarter on $37.6 billion in revenue, up 3 percent for the quarter. But the Dearborn automaker lost $378 million in China alone, Chief Financial Officer Bob Shanks said Wednesday. That's 20 percent less than the company lost there in the second quarter, but enough to ding the increased revenue and profits generated by its North American business.

Shanks added that tariffs on steel are increasing prices and creating a bubble currently costing Ford millions despite all the benefits the company has received from policy decisions under the Trump Administration. …

… The third-quarter slip comes as headwinds increase for U.S. automakers and other manufacturers due to President Donald Trump's ongoing trade war, rising U.S. steel and aluminum prices and rising interest rates. Investors are also looking for details from Ford, specifically, regarding CEO Jim Hackett's ongoing $25.5 billion cost cutting push and the $11 billion he plans to spent restructuring the global business. …

… The $1 billion costs due to trade, coupled with an industry-wide U.S. vehicles sales plateau, are slamming the company's bottom line. Ford's U.S. sales are down 2.4 percent so far this year.

"Ford, like many other automakers, is facing the backside of 'peak auto' in the U.S.," David Kudla, CEO of Grand Blanc-based Mainstay Capital Management LLC, wrote in a note prior to Ford's earnings release. "As long as investors feel in the dark on the future of Ford, the stock will suffer."