



Edition – 5th

Date – May 2025

Portfolio – Value Stocks

Caterpillar - [CAT]



CAT Stock Breakdown

Dividend Yield*	1.74%
Sector	Industrial
Industry	Commercial Vehicles
EWM Initial Buy	4/10/2025
Closing Price on 4/10/2025	\$287.77
EWM Price Target	\$404

*As of 5/2/2025

Caterpillar's Synopsis

Economic Influence

Decreasing commodity prices and the stabilization or weakening of the dollar could help to stimulate growth of the company from a revenue standpoint.

Fundamental Factors

The company continues to cut costs and add shareholder value as it repurchased over \$7 billion worth of shares in 2024.

Technical Support

The chart above shows price coming down to key support at the red line (200 week moving average). The long-term price trend is positive over the last three years.



Industry Indicators

Lower interest rates and increasing energy requirements may be positive contributors to the growth of the construction machinery industry.

Company Profile

- The company was founded in 1925.
- Headquartered in Irving, TX.
- Caterpillar owns and operates over 20 brands worldwide and even produces smart phones!

See page 2 to read the FULL STORY

Caterpillar – Full Story

The recent market volatility has created an opportunity to purchase “quality” companies at 25% discounts in price as investors have been selling stocks due to tariff uncertainty. To take advantage of this market repricing, it is key to identify companies with strong balance sheets that could be positioned for growth once the market gets clarity. As the world’s largest heavy machinery producers, Caterpillar has a competitive advantage to scale cost and leverage their supply chain.

With a 35% drop from 2024 highs, Caterpillar caught our attention as a potential “value investment”. Even with CAT’s global exposure, we believed it was an attractive buy at the levels we saw in mid-April. One of the most appealing features, in our opinion, from the fundamental side is the fact that CAT ended 2024 with over \$7 billion of cash on its balance sheet and repurchased over \$7.7 billion worth of its stock shares. This demonstrates CAT’s commitment to adding shareholder value as well as management’s ability to control debt.

Our main objective in the **Value Stock** portfolio is to build positions in companies that we believe have technical and fundamental strength. The combination of these two factors has helped EWM navigate this volatility and reposition portfolios for potential growth over the next 12-24 months. In the chart below you can see CAT dropped to the 200-week moving average (**red line**) and has since moved higher. It is easy to see that the chart displays a move up and to the right since the 2020 COVID levels (bottom left of the chart). The price has only tested that red line one other time since then and it was during the 2022 bear market. Another notable signal was the retest of that key breakout level we saw back in 2024 (**dotted blue line**). As Chartered Market Technicians® (CMT), we are trained to recognize when technical setups show opportunity. The market may have more volatility in the tank; however, we believe buying companies like CAT at a discount will help you reach your long-term goals of growth and diversification.



Important Disclosures: Information presented is believed to be factual and up to date as of 5/2/2025. Different types of investments involve varying degrees of risk. Past performance is not a reliable indicator of current and future results. The information presented herein is intended for educational purposes only. The specifics of the activity presented by the EWM Asset Management team is intended for general information only. The actual impact to your personal portfolio is not represented by the statements made in this document and you should proactively review your monthly/quarterly statements or contact the office to speak to an Advisor to validate your specific transactions. EWM and its employees are not affiliated with any company mentioned in this document. Any charts, graphs, or visual aids presented herein are intended to demonstrate concepts which cannot be fully explained without the assistance of a professional from EWM. Readers should not in any way interpret these visual aids as a device with which to ascertain investment decisions or an investment approach. Only your professional adviser should interpret this information. Information above is provided by reports available in the Schwab Advisor Services™ research center and StockCharts.com. The dividend yield is calculated without the deduction of fees and expenses. The Standard and Poor’s 500 is a stock market index tracking the stock performance of 500 large companies listed on stock exchanges in the United States.