

CLUB

This industrial stock keeps hitting record highs — what's behind the rally and what's next

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In this article

ETN +0.53 (+0.19%) NVDA +2.09 (+0.27%) HON -0.63 (-0.31%) 



Traders work on the floor at the New York Stock Exchange on Feb. 14, 2024.

Brendan McDermid | Reuters

It's been a great month for [Eaton](#) stock.

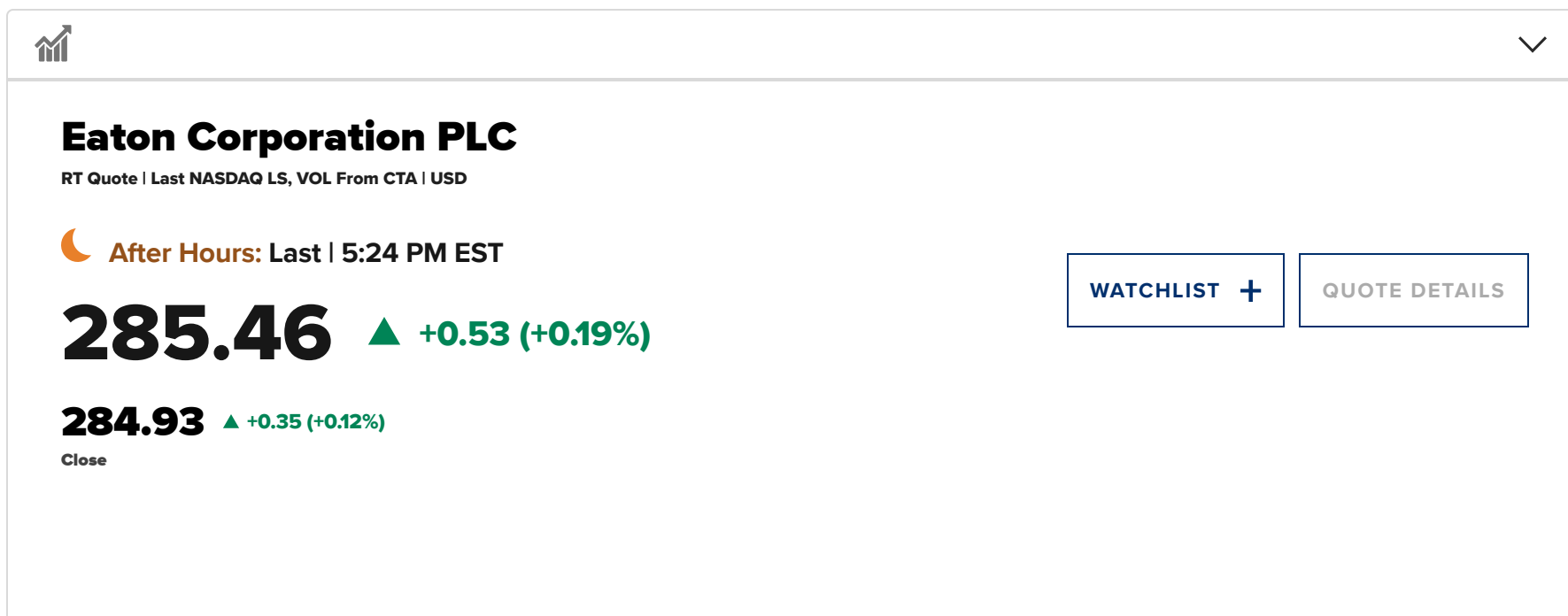
The power management company notched a series of record highs during a lengthy post-earnings rally that saw shares surge 17% in February.



Some would take profits when a stock has been on a tear like this, but we're holding on for more long-term gains. That's because what's fueling Eaton's recent run highlights future tailwinds as well.

Eaton hit a record high on Feb. 1 after posting a better-than-expected [quarter](#). An upbeat 2024 outlook set the industrial company apart from its peers, which issued more conservative guidance.

On earnings day, we hiked our Club price target on Eaton to \$290 per share from \$255 and maintained our buy-equivalent 1 rating. The stock finished Friday at another record high close just below our PT.





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Eaton (ETN) year-to-date performance

As of Friday's close, Eaton was the fifth-best performer among [S&P 500 industrial](#) stocks, with a year-to-date gain of more than 18%. The sector as a whole has increased just over 5% this year.

The drivers of Eaton's current rally underscore why we first [jumped into the stock](#) back in November and why we continue to see upside. They include infrastructure spending, further artificial intelligence adoption necessitating the construction of more data centers, the acceleration of the transition to clean energy, and the rise of nearshoring and onshoring.



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...increasing the infrastructure investment and clean energy, which was signed in 2021, and the Inflation and Reduction Act (IRA), which was put into law in 2022 — for projects that call for Eaton’s expertise to make sure power solutions work safely, efficiently, reliably and sustainably. Eaton management has said more infrastructure spending will play into the company’s long-term growth because of its exposure to key markets like commercial and residential buildings, data centers, and autos — making both legacy vehicles and electric vehicles more efficient.

- Artificial intelligence was — and will likely continue to be — another tailwind for Eaton. After [Nvidia](#)’s blowout quarter and [stock surge](#) this week, shares of Eaton rose, in tandem. The semiconductor giant’s results highlighted strength and demand for data centers — a big part of Eaton’s overall business and sales. AI data centers require lots more electrical components, which will likely show up on Eaton’s order book down the line.
- “Another trend driving higher electric content is the need for solutions that allow a bidirectional flow of power back to the grid and the ability to optimize the use of renewable energy to power data centers,” management said during a previous earnings call. Beyond data centers, the need for clean energy is happening in every industry as companies pivot to sustainable power and look to Eaton for that support.
- More nearshoring and onshoring industrial-focused projects will also help boost Eaton’s business as companies shift their supply chains from overseas closer to home.

(Jim Cramer’s Charitable Trust is long ETN, NVDA. See [here](#) for a full list of the stocks.)



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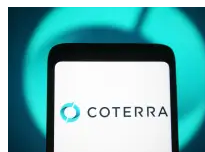
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