



A Stock Market Overview and Analysis of Alternate Investment Strategies 2007-Present



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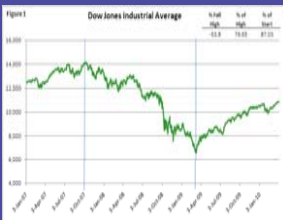
Abstract

Despite all of the attention given to the financial crisis and economic collapse of 2008-09, the stock market decline actually began late in 2007. All seems well now as the market has rebounded dramatically with a strong performance in 2009. However, most stock market indices have not yet returned to their previous levels.

The Chippewa Valley Center for Economic Research and Development (CVCERD) collects market data on four different investment strategies and also provides an overview of overall market conditions through its Stock Market Project. This research poster examines the overall market trends from 2007-present.

http://www.uwec.edu/econ/research/ec_stock_index.htm

Overall Market Analysis

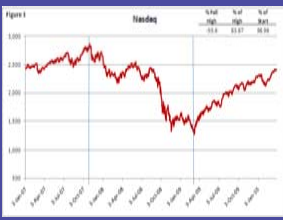


Figures 1, 2, and 3 show the three major stock indexes that make up the US market all had rough year in 2008 after peaking in October 2007. After bottoming in March 2009, each index turned around quickly, posting impressive percentage gains resulting in a V-shaped recovery for the market. It is important to note that none of the major indices have returned to their January 2007 levels.

Figure 1 presents the Dow Jones Industrial Average from 2007 through the first quarter of 2010. The Dow reached a high of 14,164.50 on October 9, 2007 and then fell to a low of 6,547.05 on March 9, 2009 (-53.8%). After Q1 2010, the Dow rose to 10,856.60, an increase of 65.8%. This recovery has left the Dow at 76.7% of its high over this period.



The Standard & Poor's 500 Index had a very similar story to the Dow. Figure 2 shows the S&P 500 reaching a high of 1,565.15 on October 9, 2007 and then falling to a low of 676.53 on March 9, 2009 (-56.8%). After Q1 2010, the S&P 500 rose to 1,169.43, an increase of 72.9%. The index now sits at 74.7% of its high over this period.



The Nasdaq (Figure 3) experienced the strongest rebound of the three major indices but still had a similarly shaped recovery. It reached a high of 2,859.12 on October 31, 2007 and then fell to a low of 1,268.64 on March 9, 2009 (-55.6%). After Q1 2010, the Nasdaq has risen to 2,397.96, an increase of 89.0%. As a result of this strong recovery, the Nasdaq has reached 83.9% of its high over this period.

The three major indices fell dramatically from the end of 2007 to the beginning of 2009, after which they experienced similar V-shaped recoveries. Despite the strong rebound, none of the three indices have returned to their January 2007 levels, however the Nasdaq is the closest.

Investment	3-Jan-07	31-Mar-10	High	Low	Change	%Change
Nasdaq	2,423.10	2,397.96	2,859.12	1,268.64	-95.20	-1.94
Dow	12,474.62	10,856.63	14,164.53	6,547.05	-1,617.99	-12.97
S&P 500	1,416.00	1,169.43	1,565.15	676.53	-247.17	-17.46

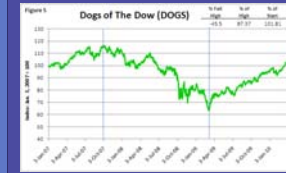
Eau Claire Investment Track

The Eau Claire Investment Track Project hypothetically invests \$100,000 in each of the four following investments. The Eau Claire Basket (ECB) consists of 49 stocks in companies that have some employment presence in the Eau Claire area. The Dogs of the Dow (DOGS) are the 10 stocks in the Dow Jones Industrial with the greatest dividend yield.

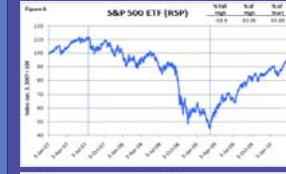
The Rydex S&P Equal Weight (RSP) investment is an Exchange Traded Fund (ETF) that maps the performance of the S&P 500 Index, with equal investments in all 500 companies that get re-weighted at the end of every day. The Street Tracks Gold Shares (GLD) investment is another ETF, which trades at one tenth the cost of an ounce of gold. Figures 4-9 and Tables 2-4 present an overview of the performance of these investments.



Figure 4 presents the Eau Claire Basket from 2007 through the first quarter of 2010. The ECB reached a high of 109.90 on June 4, 2007 and then fell to a low of 43.80 on March 9, 2009 (-59.8%). After Q1 2010, the ECB rose to 92.1, an increase of 110.4%. The recovery has left the ECB at 84.5% of its high over this period.



The Dogs of the Dow had a very similar story to the ECB. Figure 2 shows the DOGS reaching a high of 116.50 on October 1, 2007 and then fell to a low of 63.50 on March 5, 2009 (-45.5%). After Q1 2010, the DOGS rose to 101.8, an increase of 60.4%. The index now sits at 87.4% of its high over this period.



The Dogs of the Dow strategy shown in Figure 5 has followed the general trend of the market; however, it had a less severe downturn relative to the other major indices.



Figure 6 presents RSP from 2007 through the first quarter of 2010. RSP reached a high of 111.8 on July 19, 2007 and then fell to a low of 44.8 on March 9, 2009 (-59.9%). After Q1 2010, RSP rose to 93.9, an increase of 109.5%. This recovery has left RSP at 84.0% of its high over this period.

Investment	3-Jan-07	31-Mar-10	High	Low	Change	%Change
GLD	100.00	174.84	191.36	96.61	74.84	74.84
DOGS	100.00	101.81	116.53	63.48	1.81	1.81
RSP	100.00	93.89	115.84	44.82	-6.11	-6.11
ECB	100.00	92.14	109.92	43.79	-7.86	-7.86



Gold tells a different story than our other indices. Figure 7 shows that gold had two distinct periods of increase since 2007. The first burst of growth took gold to 159.2 on March 17, 2008 (59.2%). Gold then tailed off, falling 29.4% to 112.4 on November 12, 2008. The second burst of growth took gold to a high of 191.4 on December 2, 2009 (70.3%). In Q1 2010 gold has dropped off again and is now at 174.9. In terms of gains over the 3+ year period, gold experienced a whopping 74.9% increase. We can conclude that Gold is usually purchased as a hedge against market declines and many crises.

Investment	3-Jan-07	31-Mar-10	High	Low	Change	%Change
Baird	100.00	87.25	109.54	34.79	-12.75	-12.75
Bloomberg	100.00	79.90	115.76	49.31	-20.10	-20.10
ECB	100.00	92.14	109.92	43.79	-7.86	-7.86



Between the DOGS, RSP, and ECB, the DOGS fell the least and is the only one to regain its starting level from January 2007. Hands down, gold outperformed the other three investments over this 3+ year period with a gain of nearly 75%.

Figure 8 compares the ECB with two other Wisconsin stock indices compiled by R.W. Baird and Bloomberg. All three investment measures followed the same general pattern over this period. Each experienced a nearly 10% rise in the first part of 2007, followed by steep declines into early 2009. Specifically, Baird was hit the hardest (-68.2%), while Bloomberg and ECB fell by 63.6% and 59.8% respectively. In terms of a recovery, Baird performed the best, rising more than 150% from its low. However, the ECB remains higher relative to Baird because it had experienced the smallest decline.

Investment	3-Jan-07	31-Mar-10	High	Low	Change	%Change
Manufacturing	100.00	119.04	125.29	54.16	19.04	19.04
Entertainment/Dine	100.00	103.37	129.55	28.51	3.37	3.37
Retail	100.00	74.40	111.18	34.49	-25.60	-25.60
Other	100.00	72.71	109.89	44.79	-27.29	-27.29
Financial	100.00	59.43	101.29	29.47	-40.57	-40.57

Figure 9 shows the performance of individual sectors within the ECB. In early 2007 all of the sectors, except Financials, experienced moderate growth. Entertainment/Dining led with a 26% gain. In mid to late 2007 all of the sectors, except Manufacturing, experienced a sharp decline. This downward trend continued until early 2009.

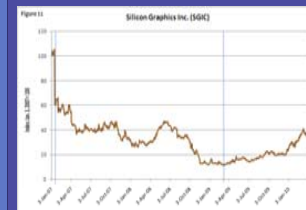
Unlike the other sectors, Manufacturing held strong through 2007 and did not experience a large drop until mid to late 2008. Since their low points in early 2009 all of the sectors have shown growth through the first quarter of 2010. Entertainment/Dining has performed the best during the recovery, rising more than 260% since its low point. After the highest level of 2010, Manufacturing is at the highest level mostly because of its relatively small decline through 2008 and into early 2009.

ECB Core Company Analysis



ECB Core-Within the ECB there are five companies that most everyone in the Eau Claire community is familiar with. Therefore we have chosen these companies as the ECB Core.

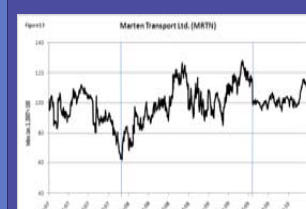
HTCH-Despite a somewhat volatile 2007, overall Hutchinson's stock price remained relatively unchanged. The first quarter of 2008 began a drastic decline in Hutchinson's stock price lasting until January 2009. During this downward trend Hutchinson fell almost 95%. Since early 2009 Hutchinson has seen a moderate increase, ending the first quarter almost 20% above its low point.



SGIC-Silicon Graphics filed bankruptcy in early 2007 and experienced a 40% drop in stock price in one day. The slide continued for SGIC throughout 2008 except for a short-lived recovery in the summer, and began to level out in early 2009. SGIC's stock price has remained relatively constant throughout 2009, but has seen moderate gains in the first quarter of 2010.



CRAY-Early 2007 showed moderate gains in Cray's stock price. The second quarter of 2007 brought a steep decline that lasted throughout all of 2008. Beginning in January 2009 Cray's stock began to recover until late summer when decline set in again. Through the first quarter of 2010, Cray has experienced a moderate recovery, but is still at less than 50% of its January 2007 price level.



MRTN-During 2007 Marten experienced a downward trend in its stock price. The stock then rose almost 100% during 2008 and regained all of its 2007 losses. In early 2009, Marten's stock rose to a high for the period before dropping sharply in mid 2009. The stock stayed relatively constant throughout the remainder of the year, but in the first quarter of 2010 Marten has seen strong, early gains.



NPKE-Presto's stock price experienced almost no change throughout 2007 and early 2008. Although the period from early April 2008 to late March 2009 showed high volatility, Presto's stock price remained nearly unchanged over the period. Beginning in April of 2009 the story for Presto was completely different as they experienced a dramatic and sustained increase in share price, rising over 150%.

Investment	3-Jan-07	31-Mar-10	High	Low	Change	%Change
Presto	100.00	251.46	281.09	81.38	151.46	151.46
Marten	100.00	192.09	128.07	61.81	92.09	92.09
Cray	100.00	49.83	118.34	11.98	-50.17	-50.17
SGIC	100.00	34.80	105.63	11.17	-65.20	-65.20
Hutchinson	100.00	25.36	116.65	5.41	-74.64	-74.64

Data Sources

Yahoo Finance

RW Baird

Bloomberg

