The Eau Claire Investment Basket: An Analysis of National and Local Stock Performance 2008-2009

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Overall Market Analysis

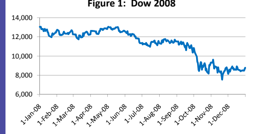
Figure 1: Dow 2008

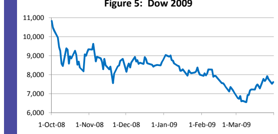
Figure 5: Dow 2009

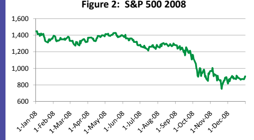
Figure 2: S&P 500 2008

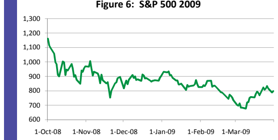
Figure 6: S&P 500 2009

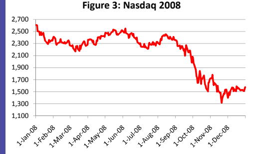
Figure 3: Nasdaq 2008

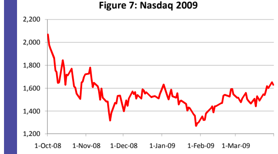
Figure 7: Nasdaq 2009

Figures 1, 2, and 3 show that the three major stock indexes that make up the US market all had rough year in 2008 with the hard times beginning at the end of the summer.

Figure 4 shows the annual losses of 32.7%, 37.6%, 39.6%, for the DOW, S&P 500, and Nasdaq respectively. The 4th quarter was particularly damaging with more than half of the decline for each index in that period.

Figures 5, 6, and 7 show that the three indexes have bottomed in the first quarter of 2009 either in February or early March. Since the bottom, the market has rebounded with all three indexes seeing gains of over 10% between March 5 –March 31 2009. Figure 8 shows that this rally has not been enough to put the market in positive territory over the first quarter of 2009. However, we are now seeing signs of stability after the significant amount of money the government is spending to stimulate the economy. The Fed's mortgage rate cut of interest rates has also helped stabilize the economy.

There were two other indications are significant to the bottom of the stock market. History shows, when there is more negativity in the market than good, the market might be at capitulation. The Bull-Bear Index is issued by Investor Intelligence every Wednesday and shows the percentage of Bull and Bear investors. A bull investor is one that thinks the market will go up and a bear investor is one that thinks the market will go down. The index in March showed there were more than 50% bear investors. With such a high ratio there were very few people left to sell causing a market turn around. In March 2009, as investors dipped back in the market after all despair was gone, signals the market bottom.

Another indication that the market might have bottomed is the bond market. The bond market can measure the overall health of the corporate economy. What happens in the stock market can be better predicted in the bond market because it looks at more than just the earnings of the company. Before the collapse of the stock market in October 2008, the bond market was very poor because credit markets were frozen. To help unthaw this market, the Fed lowered mortgage rates and bought $300 billion long-term government bonds in March 2009 which helped companies lend again also showing another possible sign of the bottom.

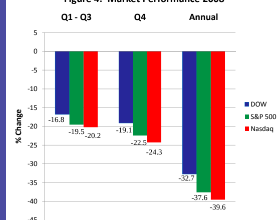
Figure 4: Market Performance 2008

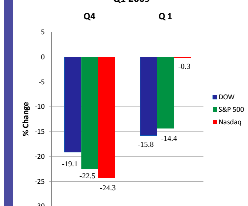
Figure 8: Market Performance Q4 2008, Q1 2009

Eau Claire Basket

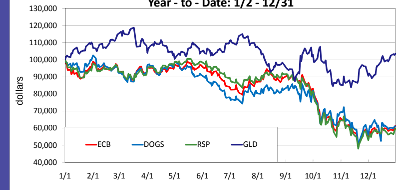
Figure 9: Investment Track 2008
Year - to - Date: 1/2 - 12/31

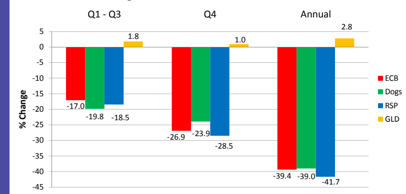
Figure 10: Investment Track 2008

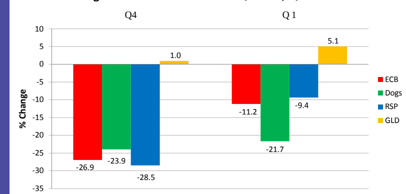
Figure 11: Investment Track Q4 2008, Q1 2009

The Eau Claire Investment Track Project hypothetically invests $100,000 in each of the four following investments. **The Eau Claire Basket (ECB)** consists of 51 stocks in which the underlying corporations have an employment presence in the Eau Claire area. **The Dogs of the Dow (DOGS)** are the ten 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. The dollar gains and losses are shown in Figure 9 for each of these tracks.

Overall, 2008 was a bad year for many companies in the Eau Claire area. Figure 10 shows percent changes for all four investment tracks. The ECB, RSP and DOGS investments have all seen double digit losses in 2008. The ECB lost 17% from Q1-Q3 followed by an additional 27% loss in Q4, dropping over 39% for the year.

Similarly, the DOGS lost more than 19% from Q1-Q3 followed by another 23% loss in Q4, finishing down 39% for the year. Lastly, the RSP lost over 41% for the year, 18% from Q1-Q3 followed by another 29% in Q4.

However, GLD served as an insulator for the stock market as it showed signs of stability by generating almost a 3% return in a very tough 2008.

Although Figure 11 shows somewhat large losses for Q1 in 2009, the losses have diminished as compared to Q4 of 2008. This suggests that the investments tracked in this project have also hit bottom and started to recover as was shown for the three major indexes previously.

Company Analysis

MRTN

Marten Transportation is one of the two companies which showed growth for the year. Figure 12 shows the stock price appreciation for Marten. Aided by falling gas prices and the necessity of their trade, Marten doubled their third quarter profit. They were unable to sustain these high gains for the entire year. Figure 13 shows the company's stock price declined in Q4 of 2008 and Q1 of 2009. Marten specializes in temperature sensitive transportation, which is necessary for many fields. Marten has also proven to have good business relationship with its biggest client, General Mills.

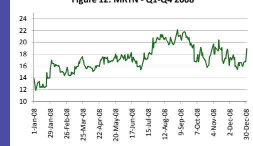
Figure 12: MRTN - Q1-Q4 2008

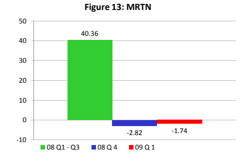
Figure 13: MRTN

NPK

The other company that showed growth for the year is National Presto Company. Their stock price appreciation is shown in Figure 14. NPK is a consumer product company that faces real challenges when consumer spending is soft. However, NPK has fared well compared to most other consumer cyclical companies. This is mainly because people are purchasing more cooking appliance to prepare meals in home rather than eat out. The company is also increasing volume and reducing expenses in the defense business. Figure 15 shows that the gains in the stock price were unsustainable for Q4 2008 and Q1 2009.

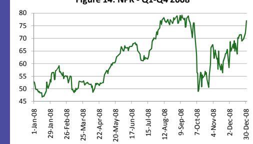
Figure 14: NPK - Q1-Q4 2008

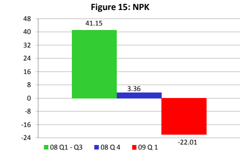
Figure 15: NPK

Charter

During 2008, Charter Communication's stock price started the year out at $1.18 per share. At year end, the stock price ended at $0.08 per share. This is a negative change of just over 93%. During the first quarter of 2009, Charter's stock has continued to fall to around $0.04 per share, which is still a 50% drop in price. Charter has had problem generating profits in the last 10 years. The company has not reported a profit since 1999. With the recent slowdown in the economy and users switching to other forms of entertainment, charter started to lay employees off and find other ways to cut costs. In February of 2009, Charter filed for bankruptcy.

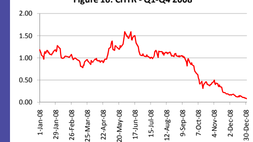
Figure 16: CHTR - Q1-Q4 2008

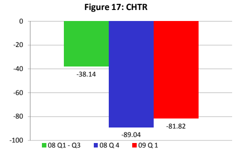
Figure 17: CHTR

Acknowledgements

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