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Market recovery pushes up southeast Wisconsin stocks

by Rich Kirchen

The stock market bull nudged upward nearly all southeast Wisconsin stocks in the first quarter and added to their already outsized gains of the past year.

Twenty of 32 southeast Wisconsin stocks outperformed the S&P 500, which rose 4.9 percent for the quarter ended March 31. Twenty-six area stocks ended the quarter with positive returns and six were down.

Local stocks are benefiting from one of the broadest market recoveries ever that started after the March 9, 2009, bottom, said Todd Parrish, an analyst at **Robert W. Baird & Co. Inc.**, Milwaukee. The manufacturing-heavy Wisconsin stock list typically performs well in recovering markets as manufacturing often is a market leader, he said.

“I don’t think I’ve ever seen it where there’s no one negative return for any industry sector,” Parrish said.

Financial and small-cap stocks also joined the party with returns of 11 percent and 10 percent, respectively, noted Joseph Hickey, equity strategy director at **MBO Cleary Advisors Inc.**, Milwaukee.

The gains from a year earlier were even more dramatic, reviving some stocks that had fallen to embarrassing March 31, 2009, lows such as \$1.42 for **MGIC Investment Corp.** and 75 cents for **Journal Communications Inc.** MGIC ended the quarter at \$10.97 and Journal, \$4.20.

Thirteen local stocks posted triple-digit percentage gains for the year ended March 31, and another 15 logged double-digit percentage gains.

Investors have pounced on any good economic news in recent months, and Wisconsin stocks “have really pulled away” from the pack, said Robert Phelps of Oarsman Capital, Milwaukee.

Banks such as **M&I Marshall & Ilsley** have survived the worst period for the industry, Phelps said, and its stock was up 48 percent in the quarter. The bank’s core business “is exceptionally profitable” even as it works through loan problems, he said.

“The risk that they are going to fail is far less than it once was,” Tom Eck of **Cortina Asset Management**, Milwaukee, said of banks.

Manufacturers like **Ladish Co.** also have pulled through and are seeing accelerating orders, Phelps said. The stock of the Cudahy forgings firm was up 34 percent in the quarter.

Consumer spending also showed signs of life, which boosted the overall market and consumer-related stocks, Eck said.

The months of bullish returns have some market watchers predicting a “correction” that would send prices downward in the second quarter.

Baird is among firms that expect a correction, citing the “unsustainability of the recent growth trend.”

Parrish said investor expectations have grown and they will closely watch earnings reports to determine if stock prices are legitimate.

“It’s always a bit more tenuous when stock prices are up there,” Parrish said.

MBO Cleary’s Hickey disagrees and notes that many investors remain on the sidelines of the stock market and are poised to re-enter when they hear more good news.

“The second quarter looks teed up to be a pretty good quarter for profits and for people going back to work,” Hickey said.

BIG RETURNS

All but six of 32 southeast Wisconsin stocks posted gains in the first quarter. The following are the top 10 gainers and five worst losers ranked on first-quarter returns vs. the previous quarter.

Stock	March 31	March 31, 2009	Dec. 31, 2009	1Q return	1 year return
GAINERS					
MGIC Investment	10.97	1.42	5.78	90%	673%
Waterstone Financial	3.62	2.04	2.05	77	77
Marshall & Ilsley	8.05	5.63	5.45	48	43
Ladish Co.	20.16	7.26	15.05	34	178
Assisted Living	32.84	13.56	26.37	25	142
A.O. Smith	52.57	25.18	43.39	21	109
Johnson Controls	32.99	12.00	27.24	21	175
Rockwell	56.36	21.84	46.98	20	158
Bucyrus	65.99	15.18	56.37	17	335
Twin Disc	12.22	6.92	10.44	17	77
LOSERS					
Merge Healthcare	2.07	1.36	3.36	-38%	52
ZBB Energy	0.80	0.85	1.18	-32	-6
Bank Mutual	6.50	9.06	6.93	-6	-28
Modine Mfg.	11.24	2.50	11.84	-5	350
Badger Meter	38.51	28.89	39.82	-3	33%

Source: Robert W. Baird & Co. Inc.