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West Michigan Stock Returns

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West Michigan Stocks Take a Breather

West Michigan stocks have outperformed the national market indexes in 9 of the past 11 years, often by a considerable margin. That wasn't the case, however, in 2004. Although West Michigan stock returns outperformed the Dow Jones Industrial Average, they trailed the two other major national market indexes as shown in Table 1.

Table 2 shows the performance of individual West Michigan stocks for 2004.

Several stocks — all of them in the auto industry — generated large losses. Stocks of Gentex, Clarion, Tower, and Riviera declined as investors began to fret about a slowdown in the auto industry. In contrast to their 2004 performance, stock prices of all four companies rose at least 40% the previous year. Because the auto industry is one of the most cyclical industries in the U.S., there are only two ways an investor can make money in these stocks: get lucky timing the cycle, or be patient. Patience usually works better than timing.

Wolverine World Wide, the Rockford-based footwear company, generated the largest return last year. Its price has tripled over the last five years. Investors are impressed with the company's earnings which have been fueled by strong sales in several of its brands.

Area banks continued to increase stockholder wealth in what now amounts to a three-year trend. The fact that the stocks of all four area banks rose in 2004 is especially notable considering that income from mortgage refinancings fell drastically in

2004, and investors don't like to own bank stocks in a rising interest rate environment. Bank stock returns in 2005 will be influenced by two opposing economic forces. On the one hand, investor apprehension about continued increases in interest rates will put a damper on future returns. A stronger lending environment resulting from a better West Michigan economy will have the opposite effect on bank stock prices, working to push up prices. It will be interesting to see which of these forces proves to be stronger.

Investors in X-Rite and Universal Forest Products also enjoyed stellar returns last year. X-Rite stock has more than doubled in the past two years. Earnings are expected to grow at 20% per year, and the stock is listed by Forbes as one of its seven "cheap technology stocks." Universal Forest Products' stock has risen 88% over the past two years, reflecting the company's double digit growth rate in sales of lumber products.

All in all, investors in local stocks should take a long-term view. Fortunes are made slowly over time, not over night. Only one of the 17 stocks listed above failed to rise less than 12% in 2003, and the average increase that year was 37%. After a year like that, it's no wonder gains were modest in 2004. View it as a breather, an adjustment to a fantastic performance a year earlier. Also note that the market-weighted dividend yield (the annual return provided by dividends the 17 companies pay) was 1.5%. As a result, an investor owning all 17 stocks would have netted a return of 6.3% in 2004. My best advice for 2005 is to stay optimistic, stay diversified, and stay for the long haul.

Table 1

Stock Market Returns

	2004	2003	2002
West Michigan Index	4.8%	37.1%	- 5.7%
Dow Jones Industrial Average	3.1	25.3	-16.8
S&P 500 Index	9.0	26.4	-23.4
NASDAQ Composite Index	8.6	50.0	-31.5

The West Michigan Index consists of 17 publicly-traded companies headquartered in West Michigan. Each company's return is weighted by the number of shares of common stock outstanding, the same procedure used in the S&P 500 Index and the NASDAQ Composite Index. The DJIA's Index, however, uses a simple unweighted average return.

WEEKLY NYSE STOCK SPOTLIGHT

MOST ACTIVE

Week	YTD %Chg	1-yr. %Ret	Exc	%Shrs Traded
	+15.0	-49.7	Q	+3.9
	+7.1	-64.2	A	+898.0
	+13.8	+4.0	Q	+3.4
	+12.8	-59.3	Q	+6.4
	+11.9	-52.2	Q	+3.5
	+15.4	-82.2	Q	+11.2
	-25.4	-75.5	N	+5.7
	-36.5	-52.9	Q	+61.8
	+12.7	-54.1	N	+3.3
	-5	-15.8	N	+2.5

USERS

Week	YTD %Chg	1-yr. %Ret	Exc	%Shrs Traded	
	-32.6	-36.5	-32.9	Q	+61.8
	-28.8	-28.0	-2.2	N	+12.8
	-23.0	-20.6	+0.8	N	+23.4
	-22.5	-22.0	-8.6	N	+60.9
	-21.3	-6.4	+7.7	Q	+8.2
	-18.7	-13.9	+38.3	A	
	-18.3	-5.1		N	
	-18.1	-17.6	-23.3	Q	+10.4
	-18.0	-19.5		N	+14.6
	-18.0	-10.3	-69.5	Q	+6.4

Table 2 LOCAL COMPANY RETURNS 01/01/04 through 12/31/04

	2004 PRICES		PRICE CHANGE
	Opening	Closing	(%)
Wolverine World Wide	20.38	31.42	+ 54
X-Rite Inc.	11.32	16.01	+ 41
Universal Forest Products	32.40	43.40	+ 34
Spartan Stores Inc.	5.00	6.64	33
Macatawa Bank	27.04 ¹	32.29	+ 19
Herman Miller, Inc.	24.25	27.63	+ 14
Mercantile Bank	34.77 ²	39.50	+ 14
Perrigo	15.72	17.27	+ 10
Knappe & Vogt	11.94	13.05	+ 9
Meritage Hospitality	4.70	5.07	+ 8
Community Shores Bank	11.92	12.65	+ 6
Independent Bank	28.36	29.83	+ 5
Steelcase	14.36	13.84	- 4
Gentex Corporation	44.16	37.02	- 16
Clarion Technologies	0.66	0.29	- 56
Tower Automotive	6.83	2.39	- 65
Riviera Tool Company	4.27	1.40	- 67

¹Price adjusted for a 5% stock dividend May 28.
²Price adjusted for a 5% stock dividend May 3.

names consisting of initials appear at the change closed for the day. ... indicated by (-) ... trading day. f Annual dividend, ... in Canadian dollar. Stock prices in ... weeks. s Split or stock dividend. u New 52 ... halted on primary market. Unless noted, ... based on last declaration. pi Preferred ... purchase prices. rt Rights. un Units. wd When ... warrants. ww With warrants. xw Without warrants. ... the 10 most-active issues in last week's trading ... ations are N New York; A American; Q Nasdaq. ... sales figures are unofficial.