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West Michigan Stock Returns

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“Local Stocks Take a Hit”

Stockholders in West Michigan companies lost money last year, the first time that has happened in many years. Altogether, stocks in the 27 publicly traded companies headquartered in the greater Grand Rapids metropolitan area saw their prices plunge an average of 20% during the thirteen month period from January 1, 1998 through January 1999. This loss stands in sharp contrast to the gains generated in the overall stock market during that same period as shown below:

Stock Index Returns 1/1/98 Through 1/31/99

NASDAQ Composite Index	+48%
S&P 500 Index	+27
Dow Jones Industrial Average	+18
West Michigan Index	-20%

Stock prices fell during the summer in response to worries about the economy's ability to remain healthy. Although the prices of a great many US stocks rebounded in the fall, that wasn't the case with West Michigan stocks. For the most part, their prices stayed down. A look at the specific performance of local companies shows the damage:

Local Company Returns 1/1/98 Through 1/31/99

Gantos, Inc.	+74%	SPX Corporation	+3	Amway Japan	-41
Macatawa Bank	+65	Foremost Corp.	-11	Finish Master	-45
Gentex	+64	Knape & Vogt	-22	Bank West Financial	-47
Mercantile Bank	+42	Donnelly Corporation	-22	Horizon Group Properties	-50
Universal Forest Products	+41	Ottawa Financial Corp.	-27	Meritage Hospitality	-51
Tower Automotive	+20	Independent Bank	-28	Wolverine World Wide	-51
Alternative Marketing	+19	Herman Miller, Inc.	-31	Riviera Tool & Die	-54
Old Kent Financial	+12	Perrigo	-34	X-Rite Inc.	-55
Autocam	+ 7	Steelcase	-39	Amway Asia Pacific	-59

Gantos generated the greatest return during the thirteen-month period, but that likely is a statistical oddity. Its price increased from \$.72 to \$1.25 despite continued bad news about its sales and earnings. Macatawa Bank's return includes the first day run up in its price following its IPO late last March. Its IPO price was \$10 per share, but the price quickly settled in at about \$15 during its first week of trading. In the ten months following the IPO, its price has risen about 7 percent. Similarly, Mercantile Bank's high return likely reflects price adjustments to its IPO late in October, 1997 and its opening for business shortly thereafter.

Except for these unusual or one-time market events, the true stellar performer was Gentex. Its price began last year at \$27.88, rose to about \$37 per share, and then was split 2:1 at the end of June. By the end of January 1999, its price was \$45.75 adjusted for the split – a return of 64 percent. Universal Forest Products also generated outstanding returns for its shareholders. During the 13-month period, its stock price rose from \$14 to \$19.75 – a 41% return.

As a group, stock returns from West Michigan banks have not been good despite record assets and earnings. Rather than signaling that something is wrong with their performance, the unimpressive stock returns reflect concerns that the Federal Reserve may raise interest rates. Rising rates usually slow economic growth and reduce bank earnings. In addition, last year's enormous losses on loans from huge New York City banks to Russia drove investors away from bank stocks. That effect carried over to even the small regional and local banks in West Michigan, none of which has any loans to developing countries. These two factors hurt not only the stock performance of local banks, but banks all across the country. U.S. bank stocks were down an average of about 15% last year.

The economic crisis affecting Asia continues to take its toll on our local companies with significant exposure to that area of the world. Amway Japan, Amway Asia Pacific, and Wolverine World Wide all were affected. Most of the rest of the companies posting disappointing stock returns all experienced downward pressure on their earnings, mostly from a slowdown in actual or expected earnings.

There are no strong signs of a major slowdown in the U.S. economy in 1999, however. Very few economists are expecting a recession. If the economy does stay reasonably healthy, expect a major rebound in the prices of some of the local companies. One thing is certain: there are some darn good West Michigan companies with bargain stock prices available to you.