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PART OF THE USA TODAY NETWORK

July 5, 2009

Looking for direction

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The stock market's performance for the first six months of the year was a tale of two quarters. The first, apocalyptic. The second, downright bullish.

Take the Dow Jones industrial average. It fell 13.3 percent the first quarter and rose 11 percent the second quarter. Or the Asbury Park Press/Bloomberg 75 index — it fell 20.3 percent the first quarter and rose 12.7 percent the second quarter.

By the end, the stock market's indexes turned in a mixed performance, leaving at least some investors, burned by the collapse of 2008, ready to test the investment waters again.

"Being an investment advisor, I'm happy the economic apocalypse that might have happened didn't happen," said Robert Giunco Jr., vice president of George McKelvey Co. in Sea Girt.

Investors during the first six months rewarded companies that performed even slightly better than the bleak predictions they faced. And they punished companies whose futures remain murky.

Experts said it was a sign that companies were searching for their footing amid a devastating recession that began in December 2007. And while they think the worst is over, they aren't convinced that there's no trouble ahead.

"I still think we're not out of (the woods), and we're being very cautious," said Dominic DiPiero of Newport Capital Group in Red Bank.

The results from the first half of the year: The Asbury Park Press/Bloomberg 75 index and the Dow Jones industrial average both fell about 3.8 percent. The Standard & Poor's 500 index gained 1.78 percent. And Nasdaq gained 16.4 percent.

It was a performance that gave investors some glimmer of hope. But at this point, many are simply hoping to recover a portion of what they lost. Nick Singelakis, 65, of Jackson, estimated his stock portfolio declined 40 percent from its peak. "I had no choice" but to stay in the stock market, he said. "I lost too much to get out."

Here is a closer look.

Winners

Nasdaq, which includes many smaller companies, advanced, in part, Giunco said, because smaller companies can adapt to economic swings much easier than their larger counterparts.

The stock of Whole Foods Markets Inc., an Austin, Texas-based supermarket chain that has a store in Middletown and is listed on Nasdaq, more than doubled, even though it lost $32.3 million in the first quarter.

Its net loss wasn't as bad as analysts predicted. Giunco said investors were betting the economy was on the path to recovery and consumers one day soon will spend more money on organic, higher-priced groceries. But analysts also warned clients in June that the stock was too high to buy.

Other retailers also advanced after meeting — and exceeding — low expectations. Sears Holdings Corp., which owns Kmart, rose 71.13 percent. J.C. Penney Co. rose 45.74 percent. Macy's Inc., Target Corp., Best Buy Co. Inc. and Kohl's Corp., all gained more than 10 percent.

Sales were slightly better than the retailers expected, and the retailers moved quickly to cut expenses, analysts said.

Still, the retail gain wasn't across the board. Wal-Mart Stores Inc., the world's biggest retailer, fell 13.59 percent. Goldman Sachs Group Inc. analysts cut the company's stock rating to "neutral" from "buy" and said, "we see little near-term positive catalysts to drive shares higher."

Losers

The banking sector continued to suffer the fallout from its bad loans. The nation's biggest banks, once on the verge of collapse, seemed to stabilize, but their stock prices didn't recover. Wells Fargo & Co., which owns Wachovia, fell 17.17 percent. Bank of America Corp. fell 6.25 percent. PNC Bank Corp. fell 20.80 percent.

Community banks with business at the Shore had to put away millions to brace for a rise in delinquent loans.

Provident Financial Services Inc., based in Jersey City, saw its stock fall 40.52 percent. It reported a first-quarter loss of $143.6 million. Valley National Bancorp, based in Wayne, saw its stock fall 39.33 percent. It reported net income of $37.4 million for the first quarter, but it set aside $10 million to cover potential loan losses.

They weren't alone. Investors Bancorp, OceanFirst Financial Corp., Central Jersey Bancorp and Sun Bancorp all reported double digit declines.

Bucking the trend was TD Bank Financial Group, the Toronto-based company that acquired Commerce Bancorp last year. It gained 44.16 percent in part because Canadian banks withstood the credit crisis better than their U.S. competitors.

Mixed bags

The pharmaceutical sector included both winners and losers. Merck & Co. Inc., based in Readington, said March 9 that it planned to buy Schering-Plough Corp., based in Kenilworth, for about $41.1 billion. Merck's stock fell about 8 percent. Schering-Plough's stock rose 47.5 percent.

The cable television sector also didn't move in tandem. Cablevision Systems Corp., based in Bethpage, N.Y., rose 15.26 percent in part because the company is considering a plan to spin off its Madison Square Garden unit.

Philadelphia-based Comcast Corp. fell 14.34 percent. A company executive said in May that the recession — with fewer housing starts and more job cuts — slowed subscriber growth.

Financial analysts said they expect the stock market to continue to perform unevenly the rest of the year. Which gave them a chance to remind consumers to invest with the long haul in mind.

"I think there's still a lot of bad news to come out," said Dennis O'Brien, president of Coastal Financial

Advisors in Howell. The economy has lost 6.5 million jobs nationwide since December 2007. "What that ultimately leads to is more people will be falling behind on mortgages, credit card debt and education loans. It's going to take a period of time to work through that."