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Overall Market Analysis

- 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 32.2%, 17.6%, 39.6%, for the Dow, S&P 500, and Nasdaq respectively. The 4th quarter was particularly damaging with more than half of the decrease for each index in that period.
- Figures 5, 6, and 7 show that the three indexes hit bottom in the first quarter of 2009 either in February or early March. Since the bottom, the market has rebounded with all three indexes showing gains of over 20% between March 5 - March 31 2009. Figure 8 shows that this rally has not been enough to push the market in a 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 being 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 a 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 unfreeze this market, the fed lowered mortgage rates and bought $100 billion long-term government bonds in March 2009 which helped companies lend again also showing another possible sign of the bottom.

Eau Claire Basket

- The Eau Claire Investment Track Project hypothetically invests $100,000 in each of the four following investments. The Eau Claire Basket (EB) consists of 53 stocks in which the underlying companies have an employment presence in the Eau Claire area. The Dogs of the Dow (DDG) are the ten stocks in the Dow Jones Industrial with the greatest dividend yield. The Rydex S&P Equal Weight (ETF) 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 (GGD) 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 the dollar performance for each of the four investment tracks. The EBC, RSF, and DOGS investments all went down; negative gains in 2008. The GGD ETF lost 1.7% from Q1-Q3 following by another 23% loss in Q4, finishing down 35% for the year. Lastly, the RSF lost over 41% for the year, 18% from Q1-Q3 followed by another 20% in Q4.
- However, Q1 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.