



# Comparing Stock Market Performance: Tracking the Eau Claire Stock Basket vs. the Dogs of the Dow

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## Introduction/Overview

The Chippewa Valley Center for Economic Research and Development (CVCERD) collects and maintains a variety of stock market and investment data. In particular, the CVCERD tracks the stock performance for a list of publicly-owned companies that are of local/regional interest through an investment basket called the Eau Claire Area Stock Basket (ECB). The ECB contains 46-51 companies (depending on the year) with an employment presence in the Eau Claire area.

The CVCERD also tracks the performance of the Dogs of the Dow (Dogs), a group of ten high yield dividend paying stocks. The strategy of the Dogs is that annually reinvesting in high-yield companies should out-perform the overall market.

This poster compares the return on an initial \$100,000 investment in both the ECB and the Dogs over the years 2007 – 2012.

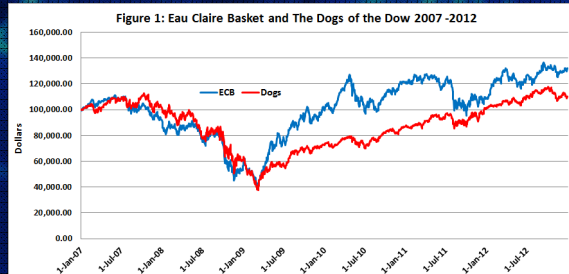
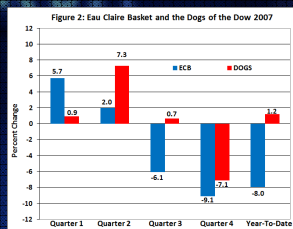


Figure 1 shows the performance of the ECB and the Dogs between 2007 – 2012. Overall, both investments were relatively flat in 2007 followed by significant declines during the second half of 2008 into the first quarter of 2009.

Both the Dogs and the ECB rebounded in the second and third quarters of 2009, but the rise of the ECB was much more pronounced over this period. The ECB experienced some volatility during 2010 and 2011, while the Dogs climbed steadily to close the gap.

The ECB pulled away from the Dogs as both investments continued to gain value in 2012. At the end of this six year period, the ECB investment reached a level of \$132,241.34 (32.2%) compared to \$110,075.65 (10.1%) for the Dogs.

## Quarterly/Annual Analysis



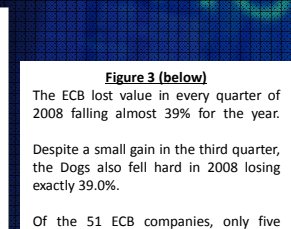
**Figure 2 (above)**

Despite a strong start, the ECB lost nearly 8% in 2007 compared to an increase in value of 1.2% for the Dogs.

Of the 51 ECB companies, 20 gained value for the year, while 31 lost value. The two largest gains were for Parker Hannifin (PH) and IDEXX Laboratories (IDXX) up 48.6% and 47.9% respectively.

In contrast, five companies lost at least 50% and another seven companies lost at least 30%. The two largest losses were for Carmike Cinemas (CKEC) and Charter Communications (CHTR) down 64.4% and 61.8% respectively.

Of the ten companies in the Dogs, three gained value and seven lost value for the year. Merck Pharmaceuticals (MRK) saw the largest increase up 32.0% while Citigroup (C) lost the most with a drop of 46.7%.



**Figure 3 (below)**

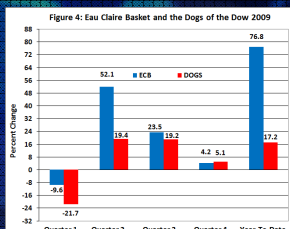
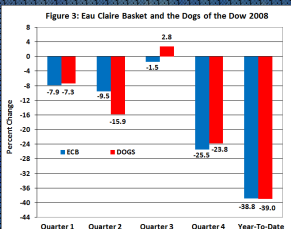
The ECB lost value in every quarter of 2008 falling almost 39% for the year.

Despite a small gain in the third quarter, the Dogs also fell hard in 2008 losing exactly 39.0%.

Of the 51 ECB companies, only five experienced a positive return for the year, while 46 lost value. The two largest gains were for National Presto Industries (NPK) and Marten Transport (MRTN) up 45.9% and 36.4% respectively.

In contrast, four companies lost at least 90% and another fifteen companies lost at least 50%. The two largest losses were for Lee Enterprises (LEE) and General Growth Properties (GGP) down 97.2% and 96.8% respectively.

All ten of the companies in the Dogs lost value in 2008 with General Motors (GM) and Altria Group (MO) losing the most, down 87.2% and 80.1% respectively.

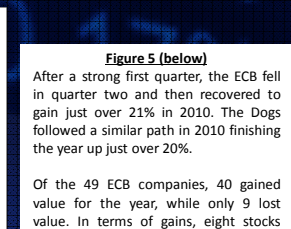


**Figure 4 (above)**

Despite a weak first quarter in 2009, the Dogs rebounded to gain just over 17% for the year. The ECB bounced back even stronger after a slow first quarter to gain almost 77% for the year. The major difference in performance was an exceptional second quarter gain of more than 50% by the ECB.

Of the 51 ECB companies, 39 experienced gains for the year, while only 12 lost value. Overall, eleven stocks increased in value by at least 100% with another eight gaining at least 50%. The two largest gains were for General Growth Properties (GGP) and Lee Enterprises (LEE) up 782.4% and 726.2% respectively. In contrast, the two largest losses were for Silicon Graphics (SGIC) and Charter Communications (CHTR) down 100% and 87.5% respectively.

Of the ten companies in the Dogs, seven gained value and three lost value for the year. Alcoa Company (AA) saw the largest increase, up 41.9%, while General Electric (GE) lost the most with a drop of 8.4%.



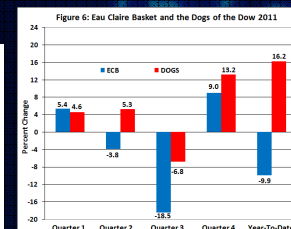
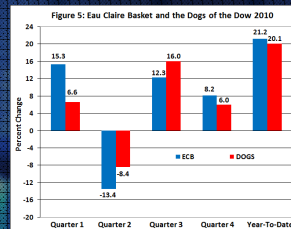
**Figure 5 (below)**

After a strong first quarter, the ECB fell in quarter two and then recovered to gain just over 21% in 2010. The Dogs followed a similar path in 2010 finishing the year up just over 20%.

Of the 49 ECB companies, 40 gained value for the year, while only 9 lost value. In terms of gains, eight stocks rose by at least 50% with another twelve companies gaining at least 20%. The two largest gains were for Dine Equity (DIN) and Famous Dave's (DAVE) up 103.3% and 84.3% respectively.

In contrast, the two largest losses were for Hutchinson Technology (HTCH) and Bank Mutual (BKMU) down 63.8% and 31.0% respectively.

Of the ten companies in the Dogs, eight gained value and two lost value for the year. DuPont Company (DD) saw the largest increase, up 48.1% and Pfizer Pharmaceuticals (PFE) lost the most with a drop of 3.7%.



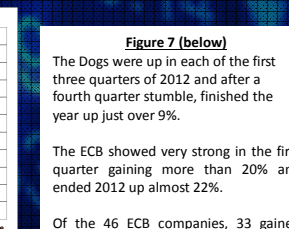
**Figure 6 (above)**

Despite losing almost 7% in the third quarter, the Dogs persevered to gain just over 16% in 2011. In contrast, the ECB gained in the first and fourth quarters, but ended 2011 down almost 10%.

Of the 47 ECB companies, only 16 experienced a positive return for the year, while 31 lost value. The two largest gains were for Buffalo Wild Wings (BWLD) and United Health Group (UNH) up 54.0% and 40.4% respectively.

In contrast, five companies lost at least 50% and another nine companies lost at least 20%. The two largest losses were for Borders Books (BGP) and Bon Ton Stores (BONT) down 100% and 73.4% respectively.

Of the ten companies in the Dogs, nine gained value in 2011 with McDonalds gaining 30.7%. The lone company that lost value in the Dogs was DuPont Company down 8.2% for the year.



**Figure 7 (below)**

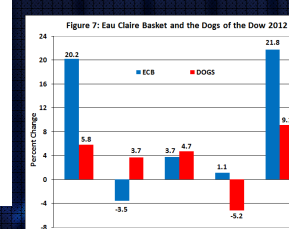
The Dogs were up in each of the first three quarters of 2012 and after a fourth quarter stumble, finished the year up just over 9%.

The ECB showed very strong in the first quarter gaining more than 20% and ended 2012 up almost 22%.

Of the 46 ECB companies, 33 gained value for the year, while only 13 lost value. In terms of gains, six stocks rose by at least 50% and another eight gained at least 20%. The two largest gains were for Bon Ton Stores (BONT) and Cray Computers (CRAY) up 260.8% and 146.5% respectively.

In contrast, the two largest losses were for Radio Shack (RSH) and Best Buy (BBY) down 78.2% and 49.3% respectively.

Of the nine companies in the Dogs, seven gained value in 2012 with General Electric (GE) increasing 17.2%, while Intel Corporation dropped by 15.0%.



## Conclusion/Discussion

As shown in Figure 1, the ECB and the Dogs both weathered a dramatic downturn in 2008 - 2009 to recover and generate positive returns over the six year period from 2007 - 2012. An exceptionally strong second quarter in 2009 propelled the ECB into positive territory rising above the \$120,000 mark in 2010. In contrast, the Dogs exhibited a slower, more steady recovery reaching the breakeven point of \$100,000 near the end of 2011. Both investments continued to gain value in 2012 although the ECB was more volatile. Overall, a \$100,000 investment in the ECB over this period would have generated a value of \$132,241.34, an increase of 32.2%. In comparison, a \$100,000 investment in the Dogs would have generated a value of \$110,075.65, an increase of 10.1%.

In sum, during the six year period between 2007 – 2012, the ECB outperformed the Dogs by just over three to one. It is worth noting that the ECB does not necessarily reflect the level of economic growth and activity for the Eau Claire area. However, it is an interesting example of a regional investment strategy. Although we do not have any specific analysis regarding why the ECB out-performed the Dogs over this period, we can say a few things about the ECB.

The ECB consists of 46-51 companies (depending on the year) with an employment presence in the Eau Claire area. Given the mix of publically traded companies with employment in the Eau Claire area, it appears that the variety of industry sectors represented in the ECB gives this investment portfolio a degree of diversification that generates reasonably strong positive returns in the long run.

We gratefully acknowledge generous funding support from the UWEC Office of Research and Sponsored Programs, Blugold Commitment, Xcel Energy-Eau Claire, and Northwestern Bank-Chippewa Falls