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## Michigan's stock bounce beats market

Housing, autos drive 31% jump; Towers International, Federal-Mogul, La-Z-Boy lead

BY BRIAN J. O'CONNOR (excerpt)

The bull market in stocks has turned in an impressive return of nearly 25 percentage points this year. Impressive, that is, unless you're looking at publicly traded companies from Michigan which beat the market by 6 percentage points, on average...

...Michigan stocks tumbled hard when the recession hit. But now that the economy is finally building up some momentum after years of bumping along in a weak recovery, those stocks are bouncing back as hard as they fell. Pent-up demand from consumers and the emerging recovery of the housing market mean more people are getting the cars, furniture and loans that make up the bulk of business for the state's public firms. ...

...A total of 33 Michigan-based firms are posting share-price improvements that beat the benchmark S&P 500 Index.

Three of them — Tower International Inc., Federal-Mogul Corp. and La-Z-Boy Inc. — have doubled their share price since the close of trading last year. Tower and Federal-Mogul are auto suppliers benefiting from the rebound in auto sales. Monroe-based furniture maker and seller La-Z-Boy went through a restructuring last year and has seen sales increase with the improvement in home sales and new home construction. ...

...David Kudla, CEO and chief investment strategist of Mainstay Capital Management in Grand Blanc, said investors got a little overheated with their enthusiasm for builders last year and that those shares have cooled off as investors wait for revenue to catch up with the share prices. In the meantime, the heat has moved from the builders of homes to the companies that furnish them.

"The housing story is there but the stocks got ahead of the story last year," Kudla said. "It was an explosive boom off the bottom and now it's pulling back a bit. Now you see the Whirlpools and La-Z-Boys doing better."

Another company that posted big returns in 2012 but now finds itself among losers this year is Taubman Centers Inc., a Bloomfield Hills-based real estate investment trust that owns and operates shopping centers. After sending its shares up nearly 27 percent during 2012, Taubman was down more than 17 percent on Friday. The decline has less to do with the company's operations or the fate of shopping malls and more to do with interest rates, Kudla says, which are headed up. The trend has hurt all real estate investment trusts this year, he added. ...

...In fact, recent events at home and abroad indicate that while the market may not match this year's results next year, there's still room for the bull to run. After years in the doldrums, the Japanese economy is improving, Europe is climbing out of its recession, China bolstered its overheating economy and, in the United States, there's steady, but not spectacular, growth and improvements in employment.

"For the first time in a long time, we have all four of those major economies growing in unison," Kudla said. "That's positive for stocks and growth around the world." ...