

The Detroit News

News | Thursday, January 1, 2015 | Section A

Michigan firms toast year of gains

BY BRIAN J. O'CONNOR and MICHAEL MARTINEZ (excerpt)

The stock market closed out a sixth straight year of gains Wednesday with modest increases for the major indexes and double-digit gains for 17 of Michigan's publicly traded companies.

Leading the pack was Troy auto supplier Meritor Inc., which posted a 45 percent gain from last New Year's Eve. It was the second year in a row that Meritor rang out the year as one of the Top 10 of the 50 local stocks followed by The Detroit News, and it was the only Michigan-based company to repeat. ...

... But while 42 Michigan stocks turned in double-digit growth during 2013, less than half that number did so in 2014. And while five of them gained more than 100 percent in 2013, the biggest jump this year was Meritor's still-impressive 45 percent improvement.

"The market gains are certainly more muted than we saw in 2013," said David Kudla, CEO and chief investment strategist at Mainstay Capital Management in Grand Blanc.

"A year ago, the market was still undervalued and now we're trading at a point where we're more fairly valued," he added.

As for next year, Kudla said, "This bull market is five-and-a-half years old, and still has a ways to go."

While nearly any company in certain sectors did well during 2013, the 2014 results seemed more specific to individual firms, with the exception of energy companies, which all reaped big gains after oil prices fell by nearly half in the last six months of the year. ...

... Another factor in the reduced 2014 gains for state companies is the concentration of auto-related and financial firms in Michigan. ...

Automakers results vary

... An extraordinary year marked by a massive recall crisis, a record number of product launches and a new stock listing led to varied results for shareholders of Detroit's automakers. ...

... At least one analyst thinks the automakers' handling of their unique situations, a strong market driven by sales of trucks and SUVs, and continued low gas prices has the industry positioned well for the new year.

"There were special situations," Kudla said. "A significant negative contributor to GM's stock performance were the recalls. Ford had investments that will pay dividends down the road. We think both companies are set up to be market out-performers in 2015." ...

... While much of the company's troubles can be tied to the recalls, Kudla said the way CEO Mary Barra handled the crisis helped stop the stock from sliding any further.

"I think the impact could have been worse," Kudla said. "We've praised Mary for getting out in front of the problem."

Auto stocks could perform well in 2015. Many analysts expect the industry to sell around 17 million vehicles next year, and although some regions like South America and parts of Europe are trouble spots, growth in places like North America and China are driving profits.

But the biggest help next year could come at the pump, Kudla said.

"The one thing that is going to be beneficial to GM, Ford, Chrysler, is lower fuel prices," Kudla said. "We have very diversified portfolio of vehicles but the high-margin vehicles will continue to be large trucks and large SUVs. With fuel prices coming down as much as they have been, that's going to boost sales for higher margin vehicles. That's something that six months ago wasn't in our model." ...