Members of the Bowden Investment Group win CFA North Carolina Investment Research Challenge.

As some of the BIG Update subscribers may already have read, a small contingent of 5 Bowden Investment Group members: Taylor Boyle, Josh Gates, Marshall Hargrave, Bixby Stewart, and myself, competed in the Global Investment Research Challenge sponsored by the CFA Society.

Competing teams must research a company selected by the North Carolina chapter of the CFA Society, write a complete analysis report, and present their recommendation to a panel of investment professionals. With the help and support of Dr. Goff and our mentor, Kay Norwood of ESG Equity Research, Appalachian State defeated teams solely comprised of MBA students from Duke, UNC Chapel Hill, and Wake Forest as well as a graduate/undergraduate team from UNC Charlotte.

With the win, the group will travel to New York in March to compete at the national level against some of the top business schools in the country. The group is poised and intent as we prepare for the next phase of the competition and we look forward to representing the Finance and Banking department, Appalachian State University, and the state of North Carolina.

Once again, members of the Bowden Investment Group have been presenting companies they have determined to be “Buy” recommendations using industry reports and their own analysis. The new additions to the portfolio include Stryker Corp. (SYK), Baxter International (BAX), and Goldcorp, Inc (GG).

Along with adding several new companies to the portfolio, members of the BIG discussed and voted to liquidate, in entirety, positions in Service Corp. International (SCI) and Metalico (MEA). The recent restructuring of the portfolio will, the group feels, continue to meet or exceed the goals of the fund while providing stability during this recessionary environment.

Chris Simmons
President
Economic data releases of the past month affirm the challenging circumstances addressing the U.S. economy. Consumer spending fell at an inflation-adjusted rate of 3.7% during the previous quarter. Housing starts declined 16.8% over the past month marking seven straight months of decline. Additionally, home prices fell 18% over the last quarter, marking two consecutive years of negative declines.

Gross Domestic Product fell at a revised rate of 6.2% in the fourth quarter of 2008. The Consumer Price Index rose 0.3% easing worries about deflation. The only positive indicator includes a 1% increase in retail sales over the past month. However, the increase in retail spending is likely the result of consumers redeeming gift cards from the holidays and not a signal of economic recovery.

At this time, we believe that our forecast for the 2009-year remains intact. Federal Reserve Chairman Ben Bernanke said that 2010 would be the year of recovery. He added that the labor market would continue to be weak, realizing an unemployment rate of 8.5%-8.8%. The data is in line with our forecast of 8.5%.

We maintain the belief that an economic recovery will take place during the later part of 2009 or early 2010. Significant indicators support our outlook for the end of 2009 beginning of 2010 including a commodity bottom, higher treasury yields, a stronger dollar, and a 20% increase in the M2 money supply. All of these indicators produce a recipe for recovery.

Charles Rasmussen

Deteriorating growth will continue to haunt most of the developed world in the months ahead. This will create a contagion effect as emerging nations will no longer be able to finance their debt, due to capital constraints of larger countries. Deflation fears will persist as CPI numbers across the world decline at alarming rates.

Trade flows between countries will continue to weaken as the demand for foreign goods has essentially evaporated. It is my belief that the biggest fear we face moving forward is that established and developing countries will enter a semi-protectionist state, as they seek to improve their own economies. This would greatly hinder a overall recovery and the prospect of a truly global economy.

William See