2009 is off to a blistering pace as it seems remarkable we are already welcoming February and, subsequently, the end to a mixed earnings season. Although negativity continues to hover over market news like a dark cloud, the extreme intraday swings of last fall have subsided.

Since our last BIG Update, the group voted unanimously to add Monsanto (MON) to the portfolio. According to BIG stock analyst Matt Lindberg, MON is undervalued and is expected to have above average returns over the next year. MON gives the portfolio exposure to the agriculture industry and increases portfolio diversification. Both of the new additions to the portfolio (DLB and MON) have performed exceedingly well and have reduced potential losses as the broader markets continue to experience downward pressure.

For the upcoming semester, members of the BIG will be studying the finer points of portfolio management and will once again be analyzing a company to present to the group. The analyses will mirror those completed last semester except for one very important detail: Each analyst must find and choose a company with the ultimate goal of issuing a “Buy” recommendation for the stock. To further develop analytical skills, each member will also give a brief report on a company of his or her choosing and must defend their position against a rebutter.

In other events, a small contingent of Bowden Investment Group members will represent Appalachian State University and the BIG in a state-level CFA Investment Challenge early next month. If selected, the group will go to New York to compete at a regional level for the chance to represent ASU, the BIG, and the United States at the Global CFA Investment Challenge in London, England. The group, comprised of five members: Bixby Stewart, Marshall Hargrave, Taylor Boyle, Josh Gates, and myself, has spent numerous hours performing a full analysis of a predetermined company and will present to a group of investment professionals in February.

Chris Simmons
President
Over the past month we have seen further contraction of the United States economy. During the last month the United States lost another half million jobs bringing the current unemployment rate up to 7.2%. Unemployment has been increasing at a rapid pace across the United States over the past two months.

During the previous twelve months, 36 states experienced a broad based decline in real GDP. The fastest declining industries to date include finance, insurance, and construction. Additionally, the Beige Book, a report released by the Federal Reserve, confirmed the deterioration emphasizing major declines in real estate, retail, and tourism. All aspects of real estate are being impacted by the slowing economy including residential and commercial.

The Case-Schiller Index, which measures nominal housing prices across the U.S., has continued to decline. The 20-city index has declined for 28 consecutive months from the 2006 peak. Over the month of December, the retail industry experienced its worst holiday shopping season in decades, posting a broad decline of over 6%. We would like to emphasize caution in the valuation of stocks that are heavily tied to consumer discretionary products, financials, and construction.

January provided yet another month of dismal economic indicators and signs of slowing growth throughout the world. Recent trade flow data shows signs of protectionism as countries are hoarding resources which has resulted in international trade reductions. In the E.U. we have seen another 50 basis point reduction in their headline rate to 2%, the fourth reduction since early October. We have seen these monetary policy actions complemented by fiscal stimulus packages such as Germany’s 50 billion euro plan aimed at infrastructure spending and tax cuts. Fiscal policy actions may run dry for many countries in the E.U. as 16 members are approaching the 3% of GDP limit in budget deficits which can result in significant penalties. Emerging nations are also beginning to show stress due to currency devaluation.

The sterling has fallen 28% against the dollar and 24% against the euro year to date. Unfortunately this has provided little boost for exports as the goods trade deficit has expanded to 8.3 billion pounds. Look for unprecedented actions from Prime Minister Gordon Brown over the next month to try and stem the crisis.

Charles Rasmussen

William See