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State stocks rediscover their bullish side

Article by: NEAL ST. ANTHONY and PATRICK KENNEDY

Star Tribune staff writers

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Paul Lidsky may be a proxy for the resurgent Minnesota economy.

In recent days, the CEO of Datalink reported strong results for last year and projected even better days in 2012. The company has begun moving its employees (390 and growing) from Chanhassen to larger quarters in Eden Prairie. And Lidsky indicated that the company -- a developer and manager of corporate data centers -- will grow thanks to a record backlog of business and through acquisitions.

Datalink shares have about doubled over the last year and are up 9.5 percent so far this year.

"We've got confidence in our growth," Lidsky said during a recent interview.

Despite gridlock in Washington, D.C., the eurozone economic fracas and the Asian natural disasters that disrupted production last year, U.S. corporate earnings are headed for what analysts say will be another record year. Hiring has accelerated at big companies that cut workers during the recession. Credit is thawing a bit for small companies, and consumer sentiment is inching up.

That momentum is playing out in Minnesota as well. The Bloomberg-Star Tribune 100 -- an index of the state's largest publicly held companies -- hit all-time highs last week and closed Monday at 204.81, up 10.2 percent this year.

"I don't think the growth will explode," said Jim Paulsen, chief investment strategist at Wells Capital Management. "But 220,000 people (in the United States) went back to work last month, bank loans are rising, (and) housing activity is popping up to its best level in a few years."

Among Minnesota's 100 biggest companies, 71 have seen their share prices rise in 2012. The biggest gainers include all-terrain maker Arctic Cat (up 61 percent), adhesives maker H.B. Fuller (up 33 percent) and medical device giant St. Jude Medical (up 25 percent).

The positive bounce has been three years in the making. Stock markets hit their bear-market lows on March 9, 2009. Since then, the Standard & Poor's 500 index has posted annualized total returns (including dividends) of 29 percent while the Bloomberg-Star Tribune 100 index and the Russell 2000 index have registered annual returns of 34 and 36 percent, respectively.

Meanwhile, the S&P 500 index of America's largest companies is still about 12 percent shy of its all-time high of October 2007. That's partly because the big financiers, such as Citigroup, Bank of America and Goldman Sachs, which gorged on the inflated mortgage market during the go-go days of 2002-06, are selling at 50 percent or less of their 2007 high stock prices.

Also, the mass merchants, such as Target and Wal-Mart, still haven't fully recovered because so many of their customers are still out of work or are spending less when they shop.



Arctic Cat sled. Arctic Cat is among Minnesota's biggest gainers in share prices (up 61 percent).

, Arctic Cat

"Global concerns in Europe and the Middle East have a tendency to distract investors in the United States," said Greg Kulka, founder of Guardian Wealth Advisors in Bloomington. "How many people are still sitting with cash on the sidelines since 2009 being concerned about Greek's debt issues?"

In an economic recovery, it is the manufacturers and lower-priced stocks that tend to recover their value first. Regardless, the direction of the stock market is positive for an economy that seems at last to be gaining traction.

Amid the doom and gloom in late 2011, Paulsen of Wells Capital Management, took some heat for staying positive. He's been saying this recovery, although starting in a deeper hole, was shaping up just like the recoveries following the recessions of 1991-92 and 2001-02.

"Just like last year, about 2 1/2 years into those two [earlier] recoveries, there was a great debate about things," Paulsen said. "And then, in the third year, we geared."

The combination of improving earnings and rising consumer confidence is driving Minnesota stock prices:

Select Comfort, the maker and retailer of dial-your-comfort beds, has risen 34 percent this year. The stock, which slipped below \$1 amid the recession of 2009, survived a near-death restructuring that has led to record results and a five-year-high stock price of about \$29 per share.

Buffalo Wild Wings, the restaurant chain based in St. Louis Park, has nearly tripled in value over the last five years.

Graco, the Minneapolis manufacturer of paint sprayers and grease guns that exports half its products around the globe, has jumped 26 percent this year.

Valspar, a global paint-manufacturer, has seen its shares jump 18.2 percent this year.

Yet many investors remain wary of stocks.

"Cocktail party chatter is still muted," Kulka said. "I hear people complaining about low interest rates on CDs. ... I don't hear people talking about their latest stock win -- yet. Since October, companies such as Polaris, Fastenal, UnitedHealth have seen their stock prices rise by [up to] 50 percent in value. Yet it's still hard to convince people that growth is coming back."

Neal St. Anthony • 612-673-7144 • nstanthony@startribune.com Patrick Kennedy • pkennedy@startribune.com • 612-673-7926