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Markets

## WALL STREET POSTS GAINS EVEN IF MAIN STREET DOESN'T

By Drew DeSilver

A down day Wednesday took just a bit of the shine off another strong quarter for U.S. stocks — further proof, as if any were needed, that the economy looks a lot different on Wall Street than on Main Street.

Stock traders see an economy that is well into recovery, albeit a modest one, with productivity increasing, manufacturers stepping up production and retailers restocking shelves. Most everyone else sees rising foreclosures, flat or declining home prices and continued high unemployment.

"Markets always anticipate, and what they're anticipating is fairly rapid earnings growth over the next six to 12 months," said Fred Dickson, chief market strategist for Davidson Cos. in Lake Oswego, Ore. "There's a lot of optimism out there."

That optimism rests, in large part, on the belief that the U.S. economy can sustain growth on its own as billions of dollars in government supports wind down or are gradually withdrawn.

*"We're at the 'doorway' phase between the early stage of an economic recovery and a full-on expansion, but usually it doesn't last this long," said Robert Benson, chief investment officer of Seattle-based Laird Norton Tyee, a wealth-management firm with \$3.3 billion in assets under management. "We're not sure whether we're going forward into an expansion or sliding back into recession."*

The Dow Jones industrial average fell 50.79 points Wednesday to close out the first quarter at 10,856.63. The widely followed 30-stock average gained 4.1 percent in the quarter and hit an 18-month high on Tuesday.

The Standard & Poor's index of 500 stocks, considered by many a better gauge of the overall market than the Dow, fell 3.84 points to end the quarter at 1,169.43. The S&P 500 rose 4.9 percent in the quarter, its best first-quarter performance since 1998.

The Nasdaq composite index, home to many technology companies, finished the quarter at 2,397.96, down 12.73 points on the day but up 5.7 percent since the end of 2009.

The Seattle Times index of companies headquartered in Washington, Oregon or Idaho fell 7.41 points Wednesday, to end the quarter at 1,821.24. The Times index gained 3.6 percent in the quarter; 79 of the 130 companies in the index rose.

Portland-based Pixelworks, a maker of semiconductors for digital video devices, was the Northwest's biggest gainer, rising 89.1 percent in the quarter to \$5.75. PremierWest Bancorp of Medford, Ore., was the region's biggest loser, falling 68.3 percent to 45 cents.

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The major indexes have now regained all or most of the ground they lost in the September 2008-March 2009 plunge, though they're still well off their all-time highs. The question now is whether the economy has sufficient strength to not only justify those gains but send shares even higher.

So far, most of the economy's vigor has been at the corporate level. Companies that collectively shed millions of workers during the recession now are reaping gains in productivity, meaning fewer workers are producing more goods and services.

Those productivity gains, Dickson said, have enabled companies to grow their bottom-line profits even as top-line sales have stagnated.

*In addition, Benson said, manufacturers have benefited from continued growth overseas and from retailers who've begun restocking their inventories. (The U.S. Commerce Department reported Wednesday that factory orders rose 0.6 percent in February.)*

*During the recession, he said, "businesses slashed inventories, payrolls, anything they could, because they thought the sky was falling. For a while there were a lot of empty shelves."*

*Eventually, employers who've been using technology improvements, overtime and temporary help to stretch their work forces will be forced to hire full time, though neither Dickson nor Benson expects that to happen anytime soon.*

Suppliers of industrial materials and finished products led the stock markets in the first quarter, Dickson said, but he expects they may pull back in the next quarter or two. For the rest of the year, he said, energy and technology stocks probably have the most upside potential, while utility and telecom stocks could be hurt by higher interest rates.

The market for initial public offerings remained modestly active, with 27 companies selling shares on U.S. markets for the first time during the quarter; that compares with 32 IPOs in the final quarter of 2009 and just one in the first quarter.

But just one Northwest company, Bellevue-based Symetra Financial, completed an IPO during the quarter. Shares of Symetra, which sells insurance and investment products, gained 9.8 percent on their \$12 IPO price.

Several regional companies in the battered community-banking sector disappeared from the public markets.

Horizon Financial of Bellingham, Rainier Pacific Financial Group of Tacoma, and Columbia Bancorp of The Dalles, Ore., all were delisted after regulators seized their banking subsidiaries.

The owner of another troubled institution, Spokane's AmericanWest Bancorporation, voluntarily pulled its shares off the Nasdaq last month.