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Investors holding Tennessee stocks take a beating

Shares suffer same fate as rest of Wall Street

BY CHAS SISK • THE TENNESSEAN • DECEMBER 7, 2008

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It's not the losses in his own portfolio that make George Langstaff wince.

It's the losses that he imagines other people in Middle Tennessee are suffering in this tumultuous market. Less wealth in people's investment accounts means less money to be donated to charitable causes — such as The Sponsors Scholarship, a program for local students that Langstaff founded and chairs.

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"We depend on raising money every year," he said. "Of course we're concerned."

Local stocks, the source of wealth for an untold number of Middle Tennessee residents, have fared no better than those in other parts of the country, as Wall Street has suffered one of its severest shocks in its nearly 220-year history.

Shares of the 57 publicly traded companies that make up the Bloomberg Tennessee Stock Index have declined 37 percent over the past 12 months, in line with the losses on Wall Street's major indexes.

Just about every company under the sun has seen its stock price fall over the past year. That

has wiped out, at least on paper, trillions of dollars in wealth worldwide.

Only four widely traded Tennessee stocks have posted price gains since last December, an A-list made up of Jackson-based home decor retailer Kirkland's Inc., Memphis experimental drugmaker GTX Inc., Brentwood prison health-care provider American Service Group Inc. and Memphis discount retailer Fred's Inc.

Apart from those, it's just been a question of how deep the pain has been felt by area companies.

"This has been a market where there's really no place to hide," said Bruce Bittles, the Nashville-based chief investment strategist for Robert W. Baird & Co. Inc. "Some sectors are doing less badly than others, but I can't say anything is doing well."

Locally, the losses range from a 5 percent drop in the price of shares of Pinnacle Financial Partners Inc., to more than a 90 percent drop at restaurant chain O'Charley's Inc.

"It's going to take two or three years, but people who hold stock are just going to have to hold onto it. They're going to have to tough it out," said Willie McDonald, an executive with CedarStone Bank in Wilson County. "If they're living on that stock, they're just going to have to pull back."

Consumer Stocks Slump

The worst hit appear to be those companies that rely directly on the now tight-fisted American consumer for profits. Companies that fit that description include some local bellwethers: Cracker Barrel restaurants (down



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Cracker Barrel, which relies on the now tight-fisted American consumer for profits, is among the Tennessee companies whose stock prices have dropped this year.

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more than 40 percent), shoe and hat retailer Genesco (down nearly 50 percent) and Gaylord Entertainment, the hotel and convention chain (down 80 percent).

The declining market has erased in just a few weeks gains accrued over a bull market that ran from early 2003. During that time, many local investors became accustomed to steady gains from their stocks — making the current tumble all the more upsetting.

"Last year I was beating a hole in my back congratulating myself when it was up 23 percent, but this year, it's down 40 percent," Langstaff said of his portfolio. The retired Genesco executive said his savings are secure, though, because only about 10 percent to 15 percent of his investments are in the stock market.

Some Expect Rebound

Every market analyst has a prediction of where stocks are headed next.

The Dow industrials jumped 259.18 points, or 3.09 percent, to close at 8,635.42 on Friday. The market has bounced wildly over the past several weeks, but the Dow hasn't flirted again with its recent low of 7,552.29, which it touched on Nov. 20.

While a deluge of bad economic readings has weighed on the markets — and many local stocks — in the past few months, investors seem to be growing somewhat accustomed to the news.

Don Hays, founder of the Brentwood money management firm Hays Advisory, believes the market is poised to rebound. Lower mortgage rates have led to a wave of home-refinance deals, and European central banks have cut rates to match actions taken in the U.S. by the Federal Reserve.

When those moves are combined with the inauguration of a new presidential administration in January, the result should be a somewhat improved mood from the deep pessimism that now grips the country, Hays said.

"I think the Dow can easily go to 11,000 in seven to eight months," he said.

Also, the stock market, which generally looks ahead, tends to recover six to nine months before economic reports show a recession is abating, other analysts suggest. At some point, investors probably will determine a recession has been fully built into the market's expectations and will begin to place bets on a recovery, the optimists say.

Funk May Be Long-lived

David Trainer, president of the Nashville research and investment firm New Constructs LLC, expects the Wall Street shakeout to take far longer.

He blames the downturn on what he sees as the collapse of investor confidence in Wall Street's financial reporting. Until investors finish sorting through which companies may have relied on accounting gimmicks to look better, a sustained rally is impossible, he argues.

"A lot of assets have been seriously overvalued," Trainer said. "We were essentially building up a higher and higher mountain of bad debt."

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Willie McDonald - "Tough it out"

Don Hays - "I think the Dow can easily go to 11,000 in seven to eight months," he said.

How can people and Tennessee trust these idiots. CEO's and Money Managers and they tell you to watch your retirement drop. I wonder how tough you will feel being a greeter at wall mart in your 70s and 80s.

Cash is King. These idiots do not know anything about markets. You have lost 50% of your money and they tell you to hold? This is like the Iraq war and Sadaam Husein and his cohorts telling the people they are going to win while Troops tore the statue of Husseigh down.

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Oh by the way, Go Gators

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rickshaw wrote:

I guess people like Don Hays make a living by managing the money of those not sophisticated enough to handle their own affairs. If he were managing my money and made a statement to me that the market could be back to 11,000 in seven months I would jerk my money away from him as fast as I could get it. This is more than a downturn in the market. This is a re-pricing of the United States of America. None of us has a crystal ball tuned in to what is going to happen in the next 7 months. Don Hays may get away with statements like this to widows but I doubt that anyone with any real experience at finance and economics would buy into that as a likely scenario.

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