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Local public companies lose 8% of stock value during market downturn

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The Dow Jones industrial average is headed for its worst week since the beginning of the Great Recession in October 2008. It fell 1,032 points Thursday — its second drop of that magnitude this week — and was fluctuating wildly again Friday.

Stephen Cohn, co-president of Sage Financial Group

Local public companies were clobbered by the downswing, with 37 of 90 stocks from this region experiencing a 10 percent or more decline in value since Jan. 29 — right before the Dow dropped by more than 600 points on Feb. 2 and by another 1,000 points on Monday. More than 70 of the same companies lost at least 5 percent of their value during that span and only five experienced increases.

Stephen Cohn, co-president of Sage Financial Group in Conshohocken, said the 8.1 percent combined decline among the local companies represents a better performance during the same span as the S&P 500, which fell by 10.1 percent.

Many investment professionals surmised the catalyst for the shift was last Friday's U.S. jobs report, which showed wages growing faster than expected, raising the possibility of higher inflation and interest rates on safe assets and therefore less value in risky ones.

“People have anticipated rates going up for quite some time,” Cohn said. “But with the switch [as Federal Reserve Chair] from Janet Yellen to [Jerome] Powell, there is some fear that those increases will come at a faster pace and a higher rate than expected.”

Hank Smith, chief investment officer for The Haverford Trust Co., said typically in a sell off like this one, companies in cyclical industries tend to sell off more.

“Industries like tech, industrial, basic materials, financial were more affected,” Smith said. “But this is something more widespread.”

Smith said this is unlike the last selloff in 2016, which was attributed to fears of a global recession and collapsing oil prices. The current economic environment shows enhanced growth and corporate profits in the United States and abroad.

“This sell off is more reflective of more index funds being sold,” Smith said.

Smith noted that 2017 had the least volatile stock market in history and attracted what he termed momentum players who invest based on trends — often emanating from computers. So when the market tide turned last week, “they all hit sell at the same time.”

The wage growth of 2.8 percent or 2.9 percent from the job report should not be enough to cause the Federal Reserve to get more aggressive with raising interest rates, Smith said.

But volatility often brings opportunity for investors, especially sell offs that include good companies. As an example, Smith noted DowDupont, which saw its stock price fall by 10 percent between Jan. 29 and Thursday, has three different tailwinds working in its favor: a growing global economy for what is a global company, tons of cost-cutting coming in the next 18 months and then a split into three different companies.

Another factor that can affect how much a company is affected by a broader sell off is the previous direction of its stock. Smith said DuPont spinoff Chemours Co. was trading as low as $3 per share in 2016 and rose to more than $50 before the market drop late last week.

Several of the local companies suffering the steepest stock price drops are in the life sciences sector. Part of that can be explained by the fact that the industry was riding especially high before the market correction. Pharmaceutical manufacturers were most likely also harmed by remarks from President Donald Trump's State of the Union speech in which he said drug prices were too high and he wanted to curb them.

“When the specter of Washington, D.C., shines on an industry, it's going to negatively affect performance,” Smith said. “We saw the same thing happen in the 90s when Hillary-care was being debated.”

While some believe this market correction could be a harbinger of bad things to come after almost a decade of economic growth, Smith feels confident that is not the case.

“I don't think this is a signal from the market,” Smith said. “Corrections are a normal occurrence, usually on an annual basis, during a bull market. We haven't had a correction for two years, which is remarkable. Our view is this is not an elongated process and the market will find the bottom soon. One characteristic of every sell off is that it is followed by a recouping of losses. And I would expect it to follow that pattern in this case.”

Cohn said one of the worst mistakes investors can make is acting impulsively during a down swing in the market.

“You don't want to make changes for the wrong reasons,” Cohn said. “We get concerned when people get scared. That's not healthy because then it becomes harder to make rational decisions. The people who should be concerned are the ones who don't pay much attention to their portfolio.”

Below you will find the local companies with the largest percentage decreases between Jan. 29 and the market close on Thursday:

Company Percentage Change

Lannett Co. -20%

Vishay Intertechnology -20%

Orasure Technology -19%

Triumph Group -18%

Aclaris Therapeutics -17%

PREIT -17%

Chemours Co. -16%

Inovio Pharmaceuticals -16%

Penn National Gaming -16%

CSS Industries -15%

Jeff Blumenthal
Reporter
Philadelphia Business Journal