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DOW JONES CHANGES TRANSLATE TO LITTLE EFFECT ON COLUMBIA INVESTORS
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COLUMBIA, Mo. – The Dow's game of musical chairs this spring should have little effect on Columbia investors, according to local experts.

In April, American International Group Inc., Pfizer Inc. and Verizon Communications Inc. replaced AT&T Corp., Eastman Kodak Co. and International Paper Co. in the Dow Jones Industrial Average. The changes were the first in the 107-year-old stock index since November 1, 1999, when four stocks out of the 30 that make up the index were replaced.

The top 30 blue chip stocks form the index, which is the best-known stock-market barometer in the world. According to Dow Jones, the changes were made to recognize trends in the U.S. stock market, such as the continued growth of the financial and health care sectors and the diminishing relative weight of basic materials stocks.

"If you are part of the Dow Jones Industrial 30, you are considered one of the 30 bluest of the blue chip stocks that are traded in the United States," said David Brownfield, registered investment advisor representative with Stifel Nicolaus and Co. "There wouldn't be as much prestige behind your company if you were no longer part of the elite 30. That might lead to a selling pressure on the stock, which would lower the stock price. But really, as a rule, it really wouldn't have any effect on any of the companies or individual investors around here unless you were invested in one of those three stocks that were removed."

AT&T had been part of the Dow average for 65 years and had first joined it for a 12-year run in 1916. Kodak has been a component of the Dow since 1930, and International Paper since 1956. Verizon Communications, like SBC Communications, which joined in 1999, is a company carved out of the original AT&T after an antitrust ruling in 1984.

"The Dow is an index that they try to keep somewhat current with what different industries exist within the system, so they took out a few companies and replaced them with companies that are more in line with what is going on in the overall economy," said Carroll Wilkerson, CFP, financial advisor with Waddell and Reed.

Wilkerson said people who were invested in the dropped stocks should not be too concerned. "Obviously, there's an element of prestige that goes with being part of the Dow industries, but not necessarily. I think you have to look at those companies and determine if they are still solid organizations."

"The Dow Jones is a rather closely watched – for some mysterious reason – index of 30

large companies,” said Dr. Ken Troske, associate professor of economics at the University of Missouri-Columbia. “I haven’t seen a lot of studies linking the Dow Jones companies to the overall performance of the market, but I always think a more broad-based index is a better indication of the overall market performance. So the S&P 500 Index, I think, is a better indication of the overall performance of the market and probably changes in the equity portion of individuals’ wealth.”

“So when they take a company out, it doesn’t really do anything to the company,” Troske said. “I have a hard time imagining any sort of investment decision that is predicated on the stock being part of the Dow Jones Industrial Average. I actually think you invest in companies based on their future earning potential.”

Above all, the experts say, take a long-term view as an investor and realize that the economy is likely to improve. “The biggest thing that I would say with regard to the overall economy is just to have a long-term perspective when it comes to investing, which a lot of people forget, and they look day-to-day and get concerned about what’s happening on a day-to-day basis,” Wilkerson said. “And then you take a long-term approach because the economy will probably continue to improve, and we will look back in two to three years and realize we had a great buying opportunity in the last few months.”

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