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# Russell 2000's 25.2% Rise Is Best Showing Since 2003

By [KRISTINA PETERSON](#)

NEW YORK—U.S. small-capitalization stocks fell Thursday as traders intent on preserving the year's gains backed away from the riskier market.

The Russell 2000 index of small-capitalization stocks ended the last trading day of the year down 8 points, or 1.3%, at 625.39. Still, after suffering the worst January since the Russell 2000's inception in 1984, the index climbed 25% during the year, its best showing since 2003.

The Standard & Poor's SmallCap 600 index on Thursday dropped 4.7, or 1.4%, to 332.63. Nonetheless, the measure rose 23.78% over the course of the year, also its best performance since 2003.

Small-cap stocks, considered risky due to their high volatility and lower cash reserves, outperformed the large-cap Dow Jones Industrial Average and S&P 500 indexes this year.

On Thursday, U.S. stocks slipped broadly after numbers for weekly jobless claims showed an unexpected improvement, fueling concern that the Federal Reserve may boost interest rates sooner than anticipated. Volume was light, as traders clung to December gains by retreating from the small-cap market.

Though they closed in the red, financials had spent much of the day in the black after the Treasury Department officially ended the portion of the Troubled Asset Relief Program providing capital to banks.

Still, Doug Cannon, president and chief investment officer of Texas First Investment Management Company, said his firm has dropped the bank stocks it used to carry two years ago.

"Many banks, especially mid-size and smaller, have enormous exposure to commercial loans which are not performing," said Mr. Cannon, who oversees its small-cap fund. "That has yet to be realized by the market."

While many investors have trumpeted the rise of small-cap stocks this year, Cannon said last year's growth may limit their performance in early 2010. "It's very hard to make a case that the market is undervalued at this point," he said.

Energy companies made up the best-performing small-cap sector in 2009, up 62% over the year. Energy gainers on Thursday included contract drilling servicer Seahawk Drilling, up 39 cents, or 1.8%, to 22.54. Oil and gas servicer [Tetra Technologies](#) gained 18 cents, or 1.7%, to 11.08, on the New York Stock Exchange.

Utilities lagged on Thursday, with electric utility [Central Vermont Public Service](#) down 30 cents, or 1.4%, to 20.8. Natural gas provider [South Jersey Industries](#) dropped 1.13, or 2.9%, to 38.18. Both are traded on the NYSE.

Over the year, the financial and telecommunications sectors were the worst performers.

Among stocks in focus, [Mediacom Communications](#) rose 4 cents, or 0.9%, to 4.47, after [Sinclair Broadcast Group](#) extended its retransmission agreements with the Middletown, N.Y., cable operator until Jan. 8. The agreements were originally scheduled to expire by 12:01 a.m. local time on Friday. Sinclair Broadcast, based in Hunt Valley, Md., dropped 24 cents, or 5.6%, to 4.03.

Manufacturers of airport security products continued their rise since last week's thwarted terrorist plot. [Intelligence Mobilisa](#), whose scanning device can read IDs to determine if a person is on a watch list, soared 1.36, or 57%, to 3.75. The Port Townsend, Wash., company said its scanner currently uses 140 different lists and can handle up to 1,000. [ICx Technologies](#), an Arlington, Va., company that makes sensors that detect explosives and other chemicals in carry-on luggage, also rose 99 cents, or 11.6%, to 9.52.

Universal Forest Products, a Grand Rapids, Mich., wood industry holding company, dropped 79 cents, or 2.1%, to 36.81 after splitting its Eastern Division into two parts in an effort to increase profitability and respond more quickly to growth opportunities.

[Trinity Industries](#), a service and products provider to the industrial, transportation and other sectors, lost 27 cents, or 1.5%, to 17.44, on the NYSE, after agreeing to acquire the outstanding shares of Chicago-based [Quixote](#), which makes transportation safety products. Trinity said the \$61 million deal would expand its international presence in the highway-products business. The Dallas company is planning a tender offer for Quixote's shares at a price of \$6.38 each. Quixote gained 3.42, or 116%, to 6.37.

American depository shares of China Valves Technology lost 72 cents, or 7.2%, to 9.24 after the company reached agreements with certain investors to sell 2.41 million shares of common stock at \$9 a share in a registered direct offering for gross proceeds of \$21.7 million. The proceeds will be used for working capital and acquisitions.

Pharmaceutical company [Biodel](#), based in Danbury, Conn., rose 21 cents, or 5.1%, to 4.34 after asking the U.S. Food and Drug Administration to approve its VIAject diabetes treatment. VIAject is a form of insulin designed to be absorbed into the blood faster than rapid-acting treatments now on the market.

American depository shares of A-Power Energy Generation Systems dropped 55 cents, or 2.9%, to 18.29 after the China-based wind-turbine maker signed an agreement with some convertible noteholders, setting a conversion price that is 3.9% below the initial rate.

[Center Financial](#), the holding company of Center Bank, dropped 52 cents, or 10%, to 4.6, after announcing plans to raise \$73.5 million through a private placement of convertible preferred stock. The Los Angeles company also expects to post a fourth-quarter provision for loan losses of about \$22 million and an impairment of about \$12 million. Its fourth-quarter net loss is expected to be \$25 million.

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