



Local stocks rise with record-setting Dow

By **DEAN CALBREATH**, The Daily Transcript
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After a week of flirting with the 16,000 mark, the Dow Jones industrial average closed above it Thursday for the first time – and its rise was mirrored by more than a dozen San Diego companies that have been at or near record levels, ranging from stalwarts such as **Sempra Energy** to smaller firms such as **Halozyme Therapeutics**.

Stock analysts and investors are split over whether the highs signify a new era of growth or whether prices are getting too high and could be in for a fall.

In one of his trademark rants, CNBC stock analyst Jim Cramer said that Wall Street was in an "unabashed bull market," adding that he was "steamed" by the "tremendous failure of imagination" that has been restraining the market from going even higher.

Dan Seiver, economist at San Diego State University, said the rising stock prices — which briefly propelled the S&P 500 index above the 1,800 mark for the first time earlier this week, as well as taking the Nasdaq index to areas that it has not seen since the dot-com bubble of 2000 — were "a sign of just how far the financial markets have recovered" since the global economy ground to a halt five years ago.

But Brad McMillan, chief investment officer for **Commonwealth Financial**, told CNBC he was worried that "we're starting to get to the point where psychology is taking over" and that stock prices could start going up, based more on expectations of future price rises than on the financial fundamentals of the companies.

For most San Diego companies, the recent price jumps can be explained by three major reasons: better-than-expected growth in sales and profits; projections that new products will generate stronger growth in the near future; and takeover offers by other firms in their field.

For instance, share prices in **illumina Inc.** (Nasdaq: ILMN) have risen 78 percent so far this year, capped by a 7 percent jump on Thursday that prompted one Wall Street firm — **Trade Ideas LLC** — to describe the company as a "barbarian at the gates." The stock price briefly hit an all-time high of \$99.70 before settling down to \$97.15 in after-hours trading.

But Thursday's price jump was tied to a specific action: Illumina gained approval from the Food and Drug Administration for its testing equipment for cystic fibrosis. An analysis on The Street, an online investment information site, said that the company's strengths could be seen in many areas, "such as its robust revenue growth, good cash flow from operations, increase in net income, largely solid financial position with reasonable debt levels by most measure."

Jack in the Box (Nasdaq: JACK) also hit record levels after revealing this week that its quarterly earnings were nearly twice as high as last year and that it was boosting its financial outlook for the coming year. The Wall Street financial firm **Oppenheimer & Co.** reacted by reiterating its "buy" recommendation for the company, predicting that it might issue dividends or launch a stock buyback in 2014.

On the other hand, a commentator on the Motley Fool website suggested the stock price was so high investors should consider cashing in their chips and taking the profits.

Other companies that have hit highs after better-than-expected growth in sales and earnings include **Cubic Corp.** (NYSE: CUB), **DexCom Inc.** (Nasdaq: DXCM), **PriceSmart** (Nasdaq: PSMT), **Bank of the Internet** (Nasdaq:

BOFI), **WD-40** (Nasdaq: WDFC) and Halozyme (Nasdaq: HALO), which reported a tripling in its revenue from the prior year and projected further growth next year because of the European launch of its cancer treatment Herceptin. Revenues at **Quidel Corp.** (Nasdaq: QDEL) which develops diagnostic equipment for influenza and strep throat, rose slightly over the past year, but when the earnings were released last month the company focused more on signs of future growth, including FDA approvals for new uses of its Sofia testing system, which executives said would help drive growth through 2015.

"We are seeing momentum building early in the fourth quarter," Doug Bryant, the firm's president and CEO, assured investors.

Other companies, including **Life Technologies** (Nasdaq: LIFE) and **Santarus** (Nasdaq: SNTS), have been hovering near all-time highs for weeks because of buyout offers from other firms in their field.

Thanks largely to its treatments for diabetes, stock in Santarus jumped from \$10.98 on Jan. 2 to \$22.32 on Nov. 7. But it didn't hit its current plateau until Nov. 8, when North Carolina's **Salix Pharmaceuticals** (Nasdaq: SXLP) inked a \$2.6 billion deal to buy the company for \$32 per share, or a 39 percent premium above its average stock price during the previous 30 days. It has been trading around \$32 ever since — 250 percent above its starting price this year.