

INDY BUSINESS BULLETIN



Low Oil Prices Continue to Choke Stock Market

The chief executive officer of Indianapolis-based Bedel Financial Inc. says, despite another big dip in the U.S. Stock Market, the long-term outlook for consumers and businesses not involved in the energy sector remains positive. Elaine Bedel says low oil prices and some panic selling are helping continue to pull down the Dow Jones Industrial Average, Nasdaq and the S&P 500 Index. She says everything will “get back into balance” over time and potential investors may be able to find some investment opportunities in companies that are currently hard-hit by oil prices.

Feinberg: ‘Smart’ Retail Cuts About Survival

While a recent flurry of store closings and job cuts in the retail sector is seen by some as cause for concern, an industry observer tells Inside Indiana Business, the belt-tightening is a positive sign. “It’s future-proofing the business,” said Purdue University retail professor Richard Feinberg. “It’s doing the kinds of things you need to do to survive and grow.” Retailers including Indianapolis-based The Finish Line Inc. (Nasdaq: FINL), Walmart and Macy’s announced.

Purdue to House National Math Alliance

Purdue University’s mathematics department will soon become the new home of the National Alliance for Doctoral Studies in the Mathematical Sciences. The organization aims to increase underrepresented minorities earning doctoral degrees in math and related fields.

NFL Combine Deal a ‘Significant Win’

The NFL Scouting Combine is staying put in Indianapolis. A five-year deal was signed Friday that will keep the “Super Bowl of Player Development” in the city through 2020. “I’m excited to have completed the multi-year agreement that keeps the NFL Combine in Indianapolis,” said Indianapolis-based National Football Scouting President Jeff Foster.

\$3.2M Project to ‘Reinvent’ Inn

The Inn at St. Mary’s in Notre Dame is undergoing a \$3.2 million renovation. Work at the hotel, which is near the St. Mary’s College campus, is expected to be completed in phases over two years.

An Indy 500 First: A Presenting Sponsor

A Lebanon-based company will be the first-ever presenting sponsor of the Indianapolis 500. The official title for the next three years will be the Indianapolis 500 presented by PennGrade Motor Oil. D-A Lubricant Co. produces PennGrade and has ties to the race that date back to the late-1950s. The deal is valued at \$5 million.

Lilly Insulin Device Clears Regulatory Hurdle

Eli Lilly and Co. (NYSE: LLY) technology designed to deliver higher doses of insulin has received approval from the U.S. Food and Drug Administration. The company says the Humulin R U-500 KwikPen is the only FDA-approved device of its kind.

NCAA to Serve Alcohol at Championship Games

The Indianapolis-based NCAA Division I Board of Directors has approved a pilot program allowing alcohol sales at certain championship games. The board ruled that beer and wine will be sold in general seating at the College World Series and Women’s College World Series this year.

Purdue, IU Among ‘Most Innovative Universities’

Purdue University and Indiana University are listed among Reuters’ Top 100 World’s Most Innovative Universities. The criteria focused on academic papers and patent filings from each university.

Air Travel Booming in Fort Wayne

The executive director of airports at the Fort Wayne-Allen County Airport Authority says passenger travel at Fort Wayne International Airport in 2015 finished just shy of a record. Scott Hinderman says several factors, including an improving local economy, additional routes and a higher frequency of large planes at FWA contributed to the sixth consecutive year of growth. In all, passenger traffic was up 11 percent, compared to 2015.

Ag Industry Battling Avian Flu Effects

The Indiana State Board of Animal Health says the state is fighting a perception problem as well as a health issue from a recent avian flu outbreak in 10 Dubois County turkey flocks. Public Information Director Denise Derrer says the state is trying to push the message that there are no food safety issues with products from Indiana’s poultry industry. Derrer says poultry is a very important part of Indiana’s agriculture sector, saying the state is fourth in the nation for turkey production, and even higher in areas including ducks and eggs.

CHINA IN THE NEWS



Joanna Zhou (周娜), now residing in Knoxville TN, immigrated to Indianapolis with her husband from Beijing in 2013, where she worked in Human Resources for a U.S. Fortune 500 company. She enjoys her new life with her husband and kept in touch with her IAAT friends and readers by contributing to this column.

BY JOANNA ZHOU Shanghai Disney Resort to open on June 16

Shanghai Disney Resort will officially open and welcome its first guests on June 16, the Walt Disney Company and Shanghai Shendi Group announced Wednesday. The resort will host a spectacular welcoming ceremony for the first group of tourists, part of a multi-day grand opening celebration, according to the developers.

Construction of the resort, the sixth of its kind worldwide, started in 2011 with an investment of 34 billion yuan (about 5.5 billion U.S. dollars). The Shanghai Disney Resort will feature attractions unseen in five other Disney resorts worldwide, including ones based on Marvel comics and Star Wars, and others inspired by Chinese culture, according to a previous plan.

上海迪士尼今年6月开业 或分流香港乐园客源

1月13日, 华特迪士尼公司和上海申迪集团宣布, 上海迪士尼度假区将于2016年6月16日正式开门迎客, 并举办为期数日的盛大开幕庆典。上海迪士尼乐园是内地首家迪士尼乐园, 占地面积达390公顷, 超过香港迪士尼(126公顷)和东京迪士尼(200公顷)成为亚洲最大的迪士尼乐园。目前, 上海迪士尼度假区主要建设工作已经完成, 接下来将进入全面运营准备和密集筹备阶段。业界人士认为, 上海迪士尼度假区开业时间的公布或将成为迪士尼概念股的短期投资催化剂; 其开业票价或略低于市场预期, 这不仅对它有利, 对消费者也很有利。

上海迪士尼乐园的票价是外界关心的焦点, 但此次官方并未公布, 只是表明将会适时公布票务计划以及其他运营相关信息。此前, 有人士预估上海迪士尼度假区门票价格在350元至500元, 这种推测既参考了香港迪士尼的门票价格, 也考虑了上海周边长三角地区众多主题公园的门票价格。甚至有更为详细的版本: 10至69岁游客单日票价格500元(含午餐), 两日联票700元(不含餐), 另外3至9岁或70岁以上游客门票350元(含午餐)。

Macao’s visitor arrivals down 2.6% in 2015

Minor monthly increase of visitor arrivals in December could not offset the figure of the whole year as Macao received over 30.7 million visitors in 2015, 2.6 percent down year-on-year, according to the press release by the region’s Statistics and Census Service (DSEC) on Friday.

The average length of stay of visitors was 1.1 days in 2015, up by 0.1 day year-on-year, according to the DSEC.

Visitors from the mainland, accounting for 66.5 percent of the total, decreased by 4 percent on yearly basis to 20.41 million. Visitors mainly came from Guangdong Province, followed by Fujian Province and Hunan Province, the data indicated. Mainland visitors traveling under the Individual Visit Scheme declined by 0.5 percent year-on-year to 9.52 million, with 71.2 percent coming from Guangdong Province and 4.8 percent from Shanghai, the DSEC figure showed.

澳门2015年旅客数下跌近3% 业内人士: 未来不能只靠博彩

澳门特区政府统计暨普查局1月22日公布最新数据, 2015年12月入境澳门旅客较11月上升, 但2015年全年数字仍较2014年下跌2.6%。数据显示, 去年12月的澳门入境旅客有263.4万人次, 按年增加了3.7%。据《澳门日报》1月23日的报道, 澳门旅游业协会会长胡景光表示, 去年12月份澳门活动精彩纷呈, 对访澳旅客量及延长旅客留澳时间起刺激作用。值得注意的是, 去年12月份到澳门的过夜旅客按年增加14.2%至133万人次, 占总数50.5%, 这是自2013年1月以来最高的单月比例。

数据还显示, 全年过夜旅客共1430.7万人次, 按年减少1.8%, 主要由于中国内地留宿旅客(923.4万人次)减少5.1%所致。总起来看, 2015年全年

入境旅客共3071.46万人次, 按年减少81万人次。内地旅客依然是到澳门地区的最大客源。2015年12月中国内地旅客按年增加1.1%至165.6万人次。2015年全年中国内地旅客共2041.06万人次, 但这一数字按年减少了4.0%。进一步数据显示, 全年内地个人游客按年下跌0.5%至951.9万人次, 其中71.2%来自广东省, 而上海市的占4.8%。

Beijing to spend 16.5 billion yuan for cleaner air in 2016

Beijing will earmark 16.5 billion yuan (about 2.57 billion U.S. dollars) to improve air quality in 2016, sources with the Beijing environment authorities said on Sunday. The funds will be used to cut back on coal use and eliminate outmoded vehicles in the capital. The average density of PM2.5, airborne particles smaller than 2.5 microns in diameter, in Beijing last year declined by 6.2 percent year on year, statistics with the Beijing Environment Protection Bureau show. Beijing aims for a year-on-year drop of 5 percent in its average PM2.5 reading in 2016. The city government has promised to remove 200,000 high-emission vehicles from the roads and promote the use of clean energy in 400 villages this year.

北京2016年将安排165亿元资金治理大气污染

北京计划2016年投入165.4亿元用于治理大气污染。北京市2016年政府工作报告提出的目标是PM2.5年均浓度下降5%左右。北京市环保局发布的数据显示, 2015年北京PM2.5年均浓度同比下降6.2%, 空气质量达标天数186天, 占全年天数的51%, 其中一级优的天数比上年增加13天; 2015年重污染共46天, 占13%, 较2014年减少1天。环保部门重点监测、直接影响空气质量的四项主要污染物整体下降。与2014年相比, 二氧化硫、二氧化氮、PM10、PM2.5年均浓度分别下降38.1%、11.8%、12.3%、6.2%。

据介绍, 2016年北京将实施400个村煤改清洁能源, 完成3000蒸吨左右燃煤锅炉清洁能源改造, 淘汰20万辆高排放机动车, 提高公交、环卫、邮政等行业新能源车使用比例, 还将加快清退城乡接合部“小散乱污”企业。

Ning Zetao, Liu Hong named China’s athletes of the year

Swimmer Ning Zetao and race walker Liu Hong won the Award for Best Male and Female Athlete of the Year respectively at China’s Central Television (CCTV) Sports Awards here on Sunday.

The 23-year-old Ning, also the 2014 award winner, won the world 100-meter freestyle title in 47.84 seconds in Kazan, Russia, on August 6, 2015, becoming the first man from Asia to win a medal of any color in the blue-ribbon event at the world championships since 1973. Liu Hong, 28, chopped more than one minute off her personal best to win the 20km race walk in one hour, 24 minutes, 38 seconds, a new world record, at the Spanish leg of the 2015 IAAF Race Walking Challenge in La Coruna, Spain in June. She was also the winner of this event at the world championships in Beijing.

新华社体育部评出2015年中国十佳运动员 宁泽涛和刘虹当选

宁泽涛(男, 游泳)22岁。在喀山世界游泳锦标赛上以47秒84的成绩获得男子100米自由泳金牌, 成为世锦赛历史上首位夺得男子百米自由泳冠军的亚洲人。在1973年创办的游泳世锦赛的历史上, 宁泽涛也是第一位晋级男子100米自由泳决赛的亚洲选手。刘虹(女, 竞走)28岁。8月28日在世界田径锦标赛上以1小时27分45秒获得女子20公里竞走冠军。这是1999年田径世锦赛后, 中国运动员首次获得该项目冠军。刘虹还在6月国际田联竞走挑战赛拉科鲁尼亚站比赛中打破女子20公里竞走的世界纪录。

China grants early release to 31,527 prisoners

A total of 31,527 prisoners, most of whom were juveniles when they committed their crimes, have been released thanks to an amnesty deal, according to an official statement on Monday. The measure was adopted by China’s top legislature and signed by President Xi Jinping on August 29, 2015, before a national commemoration of the 70th anniversary of the end of World War II. The pardoned prisoners, including war veterans, and the very old, young or infirm prisoners, had been released by the end of 2015 as scheduled.

PERSPECTIVE

In Praise of Ramen

(Part 1 – a little history on Noodle)

BY DR. BENNY KO



CHINESE NOODLE SHOP IN JAPAN

introduced to Japan by Cantonese restaurateurs in the second half of the nineteenth century as commerce between the two countries picked up rapidly following the Meiji restoration. It first took root in port cities such as Yokohama, Hakata, Nagasaki and Osaka but by the twentieth century, it could be found anywhere.

I mentioned in the opening paragraph that the preferred noodles in the Cantonese-populated Guangdong are rice flour varieties, then how come the noodle introduced from there to Japan was a wheat flour one? There are a number of reasons that could have accounted for that. First, the early Cantonese chefs that pioneered their trade in Japan would have to work with local ingredients that are economical and available readily. Japanese rice was expensive then as it is now and is perceptibly different in taste and texture to Chinese rice. Besides, the Japanese have already developed a preference for firm-body noodles, and rice noodle does not fit the bill. From the latter half of the nineteenth century on, American exported wheat flour became cheap and abundant in East Asia. The Japanese population was fast developing a taste for bread, pastry and wheat based food products along with a fascination for all things foreign. I suspect Cantonese ‘mien’ and the Shina soba sold then in Japan were one and the same item. In addition to a common basic ingredient, the American wheat flour, both contain a secret additive that renders these noodles chewy, stringy and ‘al dente’ and gives them their distinctive yellowish hue. This additive is lye water (sodium carbonate, potassium carbonate and potassium hydroxide), with or without the addition of eggs. Thus treated, it can withstand the pairing with a hot broth without losing their textural characteristics and when slurped up together, the noodle traps the broth only to be released when it is chewed upon. It is a marriage made in culinary heaven and the two have never been separated since. Not only that, the descendants of this liaison have multiplied and mutated beyond anyone’s wildest imagination. If I tell you that one cannot stroll past five urban blocks of New York City today without encountering a dedicated ramen shop, or a chain of very popular ramen shops in Tokyo was founded by an American, a French-trained chef from Long Island, you might think that is a put-on. Then how about a dedicated ramen shop, Ramen Ray, finally opened up in Indianapolis, and already the lunch waiting line is between 15 to 30 minutes? Well, I will come back to that later.

Just in case I have lost you somewhere along the way to your bowl of ramen, the name ‘ramen’ comes about only after World War II. While Chuka soba and ramen might have a common ancestor, it is only in the post war era that the two went from indistinguishable to co-existence to separate evolution. Today, no one would argue that ramen is a “Nihon-ko,” a Japanese child. But in another 20 years, who knows? Can Germany stake a national claim to hamburger (by the way, it’s an American invention) or Italy to pizza? My prediction is, by then, ramen will be so universally popular that few shall remember nor care about its Japanese root, just like its Chinese ancestry is spoken of only by a few like me today. Ramen is the Japanese pronunciation of the Chinese term ‘la-mien’ which means hand-pulled noodle (拉麵).

(Stay tuned for next issue when Dr. Ko talks about ‘Ramen’ and the recently opened Ramen Ray in Indianapolis)

FINANCIALLY SPEAKING

Strength of largest stocks masked pain of average stock in 2015



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Although U.S. stocks recovered in the fourth quarter, 2015 was an extremely frustrating year for most investors. The major stock market indices showed flatish performance for the year, but only because the very largest-capitalization stocks did well.

In other words, the performance of the indices masked the fact the average stock struggled and misery was widespread in 2015.

One picture “paints a thousand words” of what happened in 2015. As background, the Standard and Poor’s 500 Index (S&P 500—SPX) is a capitalization-weighted index. Recall a stock’s “market capitalization” or “market cap” is simply the stock price multiplied by the number of shares.

So, if XYZ Corporation’s stock is \$50/share and there are 10 million shares outstanding, XYZ’s market cap is \$500 million. The S&P 500 contains 500 stocks, but the weighting of each stock in the index is determined by its market cap. This is why the S&P 500 (like most other indices) is capitalization-weighted. The S&P 500 itself actually lost 15 points in 2015

(adding dividends led to a slight positive total return). According to our friends at Strategas Research Partners, the 10 largest market capitalization stocks (i.e. 2% of the 500 stocks) have a combined S&P 500 weighting of 18.8%. As a group, those 10 stocks did very well in 2015 and accounted for 30.6 index points, or 304.8% of the S&P 500’s points for the year.

The performance disparity between those 10 largest market capitalization stocks and the other 490 stocks in the S&P 500 can be seen in the graph below. The 10 largest stocks were up 17% in 2015. The S&P 500 was down 1% (price only). The S&P 500 without those 10 largest market capitalization stocks was down 5%. The upshot is if you did not own a significant amount of those 10 stocks (particularly Amazon, Microsoft, Google, General Electric and Facebook), you sailed into a very stiff performance headwind in 2015.

We’re not Pollyannas, but take some solace stocks faced a number of strong headwinds in 2015 without suffering even greater damage. Commodity prices continued to plunge (particularly oil), decimating earnings and freezing capital spending in the sector. Strength in the U.S. dollar and China’s softening economy and weakening currency also hurt U.S. manufacturers. Finally, the Federal Reserve finally raised its target for short-term interest rates.

We don’t know if and when the pressures noted above will abate and neither does anybody else. We can’t control any of those things, so will continue to look for companies with solid business prospects, sound financial structures and strong, shareholder-oriented management teams whose stocks are selling at a significant discount to our evaluation of intrinsic value.