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## GM Gets A “Buffett Bounce”

By Jeff Gilbert – May 16, 2012

DETROIT — (WWJ) General Motors stock appears to be getting a boost from investor Warren Buffett’s decision to buy 10 million shares in the company. As of mid-day GM stock was up over four percent.

“There’s a term we’ve referred to as the “Buffett bounce,” said David Kudla, CEO of Mainstay Capital Management. “Whenever Warren Buffett, or his company Berkshire Hathaway makes a substantial investment in a company, the stock, at least over the next day, or in trading that day, will rise.”

Buffett’s purchase was revealed after trading ended on Monday. And despite the growth in GM’s share price, it still stands in the \$22-23 dollar a share price, about ten dollars off it’s launch price, and about half of where it needs to be for taxpayers to break even on the aid to General Motors.

Still, Kudla says anytime Buffett’s Berkshire Hathaway makes a large stock purchase, it shines a spotlight on the company.

“He’s known for looking for companies that he thinks are selling below their intrinsic value, that are high quality companies that he’s looking for long term growth, long term appreciation in the stock.”

General Motors says it does not comment on investors. But, the company has been posting record earnings, and has promised to improve its profit margins.

Car sales have been rising this year, and North America is now providing the bulk of GM profits.

That, Kudla says, could prove very attractive to Buffett.

“There’s a lot of things that GM’s got going for it now, if you look at where the company was just a few years ago. It has a much improved balance sheet. We have a recovering economy, albeit an anemic recovery, but a recovery nonetheless.”