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GM stock boosted by 'Buffett Bounce'

Akerson: Investor's 10M share buy great vote of confidence

BY MELLISSA BURDEN (excerpt)

General Motors Co.'s Chairman and CEO Dan Akerson on Wednesday described Warren Buffett, whose company recently bought 10 million shares of the Detroit automaker's stock, as a "wise investor" with a "track record to prove it."

Investors and the market initially agreed with Akerson, as GM stock rose higher than 4 percent at one point Wednesday.

The stock eventually ended the trading day up 2.29 percent at \$21.91 per share, a rise of 49 cents after Buffett's Berkshire Hathaway Inc. late Tuesday disclosed in a regulatory filing that it had purchased 10 million shares of GM shares during the first quarter.

Berkshire Hathaway becomes one of the 15th-largest investors in GM.

"It's a great vote of confidence in what we've done and what we hope to accomplish," Akerson told The Detroit News of Buffett's investment into GM.

GM stock was up on a lackluster day for the stock markets thanks to the "Buffett Bounce," said David Kudla, CEO and chief investment strategist with Mainstay Capital Management in Grand Blanc.

"There's typically a pop in the stock of a day, maybe less than a day" following a Buffett stock investment announcement, Kudla said.

"The stock rallies after the news because he's an influential person not only in industry, but even with retail investors."

Stock investors look to Buffett for his expertise in holding investments over the long term, investments that he believes are "high-quality companies selling at less than intrinsic value," Kudla said.

GM stock is still trading far below its November 2010 initial public offering at \$33 a share. ...

...UBS automotive analyst Colin Langan, who has a buy rating on GM, said he doesn't expect Buffett's investment to factor into Treasury's decision on when it will sell GM stock.

"If anything, it would delay the sale," he wrote in an email to The Detroit News.

Several analysts, including Langan, expect Buffett's interest in GM will peak other investors' interest in the automaker.

Langan said that many of Berkshire Hathaway's investments over the past two quarters have outperformed the S&P 500 since the purchases were disclosed.

"Seems like GM's low valuation is just too good for Warren to resist: While buying 10 million shares of GM isn't a huge bet (yet), the market signal for the U.S. auto industry is as unprecedented as it is fascinating," Morgan Stanley's Adam Jonas, managing director and automotive analyst, wrote in a Wednesday note to investors.

"Even Ford holders can savor this unusual vote of confidence," he wrote. ...