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Friday, March 21, 2003

Start of war removes uncertainty Local stocks see sharp gains

Most analysts attributed the performance to the general upswing on Wall Street.

By DUNCAN ADAMS, LOIS CALIRI and KEISHA STEWART
 THE ROANOKE TIMES

The stock market rally has boosted stocks of Roanoke-area interest. Among 12 widely held stocks in the Roanoke area, 11 showed gains during the past week.



Roanoke Electric Steel Corp., Optical Cable Corp. and Kroger Co. registered double-digit percentage increases. Wal-Mart, Advance Auto Parts, Norfolk Southern, General Electric, ITT Industries, Wachovia, American Electric Power and Verizon also posted gains. Roanoke Gas saw a decline over the past week.

Analysts, company executives and professors said some stock price increases are a response to the war in Iraq, which loomed for months and dragged stocks down. "Uncertainty is risk," said Vijay Singal, head of Virginia Tech's department of finance. "In a way, the risk has gone down. Earlier it wasn't clear what would happen when."

Most companies and analysts attributed the performance to the general upswing on Wall Street.

Investors feel better because the wait for war is over, said Tony Cecin of U.S. Bancorp Piper Jaffray in Minneapolis. "Now we know what we're going to do," Cecin said. "I don't think it's anything magical or more complicated than that."

Roanoke Electric Steel's stock price, by trading's close Thursday, was up more than 22 percent from its close of \$9.19 per share March 13.

"We can't attribute it to anything other than the general market improvement," said Joe Crawford, a Roanoke Electric Steel vice president. Otherwise, he said, "things are still tough" in the steel industry.

Although the war isn't expected to increase demand for Roanoke Electric Steel's products, Crawford has heard that some of the company's bar steel is destined for Kuwait. He speculates that demand is construction related.

"I suppose we have seen some increases [in sales], but it's been minimal," he said. "We really don't anticipate a windfall."

Optical Cable shareholders have wondered whether war in Iraq would boost sales of tactical military fiber-optic cable. President Neil Wilkin said at the company's annual meeting that sales of such cable have increased slightly, but he does not anticipate a significant influence on total revenues because tactical cables account for a small



significant influence on total revenues because tactical cables account for a small percentage of overall sales.

Optical Cable's stock price has increased in the past week. The closing price March 13 was \$3.54. The stock closed March 20 at \$4.40, up 24 percent. AEP's stock rose steadily, up 4 percent during the past week. But the increases have little to do with the war in Iraq, said AEP's spokesman Pat Hemlepp. He cited the utility's recent stable investment-grade ratings and efforts to pay down debt and improve equity ratio as reasons why its stock rose.

ITT Industries, parent of ITT Night Vision of Roanoke, saw an increase of about 5 percent in its stock price from March 13 to 19, when it closed at \$55.10 per share. The stock closed lower on March 20, dropping 34 cents. Spokesman Tom Glover said ITT does not speculate about the causes of stock price movements.

ITT Industries also produces other defense electronics products, including jamming devices that guard military planes against radar-guided weapons and digital combat radios. But Glover said the war in Iraq will not result in dramatic short-term sales peaks.

"The types of things we sell involve long-term contracts," Glover said. "They don't move sharply in response to events like these."

Some stock prices went up because of specific business practices. For example, Sarah Holden, a spokeswoman for Wachovia, cited the Charlotte, N.C.-based bank's successful conversion of First Union banks to Wachovia branches in Florida and Georgia.

Norfolk Southern's closing price March 13 was \$18.20; it closed March 20 at \$19.19, a 5.4 percent increase.

An analyst in Toronto who covers the U.S. and Canadian rail industries said some railroads, including NS, took strong measures to guard against swings in diesel fuel prices.

NS locked in prices for diesel fuel, a strategy called hedging, which saved the company about \$10 million last year. The price of diesel fuel recently peaked at \$37 a barrel.

When prices go that high it's bad news for railroads, said Randy Cousins, an analyst with BMO Nesbitt Burns.

"What we saw before the outbreak of hostility was a rapid run-up of oil prices," said Cousins. "But NS has a strong hedge position."

The uncertainty of war drove up the price of oil and hurt economic activity in the United States, Cousins said.

RGC Resources' stock was down 1.5 percent during the past week. The change represents the spread between a buy and a sell, said John Williamson, president of RGC, parent company of Roanoke Gas.

"There's been almost no movement," Williamson said.

He said the stock has been following industry trends, largely trading on the dividend yield compared to interest rates.

John Sherman, vice chairman of Scott & Stringfellow in Richmond, said the stock market has room to improve, when weary investors decide to take money out of real estate, bonds and other cash accounts to put back into the stock market.

"There's way too much money parked in cash," Sherman said. "When the war is resolved, I think money will find its way back into equities and the market will go higher."

Staff writer [JEFF STURGEON](#) and graphics director Rob Lunsford contributed to this report.

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