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Still, Schwartz warned that "potholes and pitfalls always loom."

As a result, he said, investors shouldn't be surprised if a correction of 5% to 10% happens at some point.

Susan Tompor: Dow Jones Industrial Average may stay around 14,000 for some time

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By Susan Tompor
Detroit Free Press Personal Finance Columnist

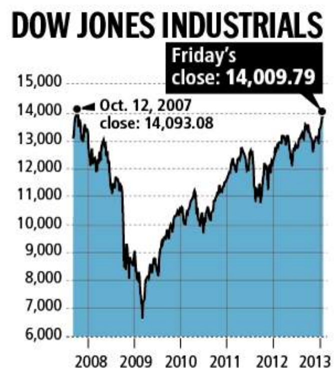
Stocks moved back into the prime-time slot now that the Dow Jones Industrial Average hit 14,000.

The Dow closed at 14,009.79 points on Friday and crossed the 14,000 mark earlier in trading during the day. The Dow gained 149.21 points or 1.08% on Friday, after good news for earnings and solid news for jobs.

This is a big deal because the last time the Dow saw the 14,000 mark was more than five years ago -- way back in October 2007.

But we all remember too well that the U.S. economy headed south in late 2008 and slammed right into the great economic meltdown.
What's next now that the Dow is at 14,000 again?

Robert Johnson, director of economic analysis for Morningstar, said he wouldn't be surprised if the Dow traded in a narrow band here going forward of around 13,500 to 14,500 for some time.



SOURCE: Free Press research
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"I don't expect stocks to collapse," Johnson said.

In fact, Johnson would argue that the economy is in better shape than it was the last time the Dow was around 14,000.

The banking system, after the fallout and restructuring, is more stable, he said. The housing market, after the dramatic drop in home prices, is getting back on a firmer, more realistic footing, he said.

Stocks are more fairly valued, not overvalued, now as the slow recovery continues, he added.

"We're in far better shape," Johnson said.

David Sowerby, a Bloomfield Hills-based portfolio manager for Loomis Sayles, said the stock market has gotten a boost because the earnings season is going well and the worst global economic news seems to be well known. Investors see a more compelling reason to own stocks compared with bonds, given the low returns for bonds.

Michigan stocks are enjoying the rally overall, too, with the average Michigan stock gaining 6.5% in the first month of 2013, Sowerby noted.

Investors are focusing more on corporate results than any political gamesmanship in Washington, according to Christopher Ruth, chief market strategist for Comerica Asset Management Group.

Ruth noted that many companies have exceeded analysts' expectations for fourth-quarter earnings reported so far.

Ruth noted that of 178 companies in the Standard & Poor's 500 that have reported fourth-quarter earnings to date, based on Thomson Reuters numbers, those companies have exceeded analysts' estimates by 4.1%.
More important, Ruth said, the gains are not all from slashing payrolls or cutting expenses. Revenues also are 1.2% ahead of forecasts.

Individual investors also appear to be more willing to put money into stocks.

The overall economy is also getting a boost from rising home values and the building of new homes, said Peter Schwartz, principal at Bloomfield Hills-based Gregory J. Schwartz.

Still, Schwartz warned that "potholes and pitfalls always loom."

As a result, he said, investors shouldn't be surprised if a correction of 5% to 10% happens at some point.

For now, though, Dow 14,000 isn't a bad number at all.

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