

Investment Forum Program for Wednesday, March 10 at 10:00

Anecdotal: According to *The Wall Street Journal*, S&P 500 corporations are holding about one trillion dollars in cash. Much of that money is expected to fund acquisitions now that economic conditions are more promising for long-term investments.

Anecdotal: A recent article published on *Forbes.com* raised the question, when discount brokers lower fees for stock trades to very low amounts who benefits most, the clients or the brokers? *Forbes* opined that it is the brokers that gain the most. The name of the game for brokers is asset accumulation. They want to attract as many clients as possible. Low trading commissions are one way of doing so. On the other hand, low trading commissions encourage frequent trading. Numerous academic studies have shown that, for most individual investors, frequent trading reduces long-term returns in comparison with a low-turnover buy-and-hold strategy.

Program

Ed and Tom will team up this week in an attempt to undertake a new exercise involving stock research. This will be an experiment, boys and girls, so please bear with us.

A list of a dozen stocks will be considered. With one notable exception, the criterion for determining this list is that each stock is rated as a 5-Star Strong Buy by Standard & Poor's. Tom will provide research from S&P, Citigroup and Morgan Stanley. Ed will provide research from Morningstar and Merrill Lynch.

The list is sufficiently long that time may not permit discussion of all the stocks. An attempt will be made to focus on those stocks of greatest interest to the greatest number of members. The list is as follows:

<u>Stock</u>	<u>S&P</u>	<u>Citigroup</u>	<u>Morgan Stanley</u>
AT&T (T)	Strong Buy	Hold/High Risk	Buy
Chevron (CVX)	Strong Buy	Buy/High Risk	Not rated
Coca-Cola (KO)	Strong Buy	Buy/Low Risk	Not rated
Exxon Mobil (XOM)	Strong Buy	Buy/Medium Risk	Hold
Gilead Sciences (GILD)	Strong Buy	Buy/Medium Risk	Hold
Hewlett-Packard (HPQ)	Strong Buy	Buy/Medium Risk	Buy
IBM (IBM)	Strong Buy	Buy/Medium Risk	Hold
JP Morgan Chase (JPM)	Strong Buy	Buy/Medium Risk	Buy
Kinder Morgan (KMP)	Strong Buy	Hold/Medium Risk	Sell
Teva Pharma. (TEVA)	Strong Buy	Buy/High Risk	Not rated
Wal-Mart (WMT)	Strong Buy	Buy/Medium Risk	Buy
Verizon (VZ)	Hold	Buy/High Risk	Hold

Footnotes:

- Over the past week, *Barron's* has published highly favorable articles on Automatic Data Processing (ADP) and Baxter International (BAX). ADP receives a Hold rating from S&P, a Buy/Low Risk rating from Citigroup, and a Sell rating from Morgan Stanley. Baxter receives Buy ratings from S&P and Morgan Stanley, and a Hold/Medium Risk rating from Citigroup.
- For weeks, Morningstar has been strongly recommending Exelon (EXC) on the premise that their estimate of fair value for the stock is far above the current quote. Morningstar argues that the current quote does not reflect the company's potential to benefit from economic recovery. Meanwhile, S&P rates EXC as a Sell, Citigroup and Morgan Stanley each rate the stock a Hold.