

"STREET" URCHINS

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During this holiday season, it's hard not to come across a rendition of Dickens's "A Christmas Carol." This classic, along with many of his other works, highlights the plight of street urchins. If stocks were people, some might feel as if they were modern day "Street" urchins, as a majority of "Street" analysts have less-than-favorable investment outlooks on these issues.

The Wall Street Consensus Opinion page of S&P's Stock Reports lists the investment companies that provide analytical coverage of a particular stock, along with the number of "BUY," "BUY/HOLD," "HOLD," "WEAK HOLD," and "SELL" recommendations. As of November 30, 2009, of the 1500 companies in the S&P Composite 1500 Index (which consists of the large-cap S&P 500, MidCap 400 and SmallCap 600 Indices), 1483 were followed analytically by Wall Street investment firms, excluding those from Standard&Poor's. Of these 1483, 58 (4% of coverage) had a Wall Street consensus opinion ranking of BUY, 865 (58%) were ranked BUY/HOLD, 541 (36%) were ranked HOLD, 18 (1%) were ranked WEAK HOLD and only one (0%) was ranked SELL. S&P's equity analysts cover more than 1500 U.S. equities in all, and 909 in the S&P 1500. Of these 909, 77 (8%) had S&P's highest investment opinion of 5-STARs (Strong Buy), 265 (29%) had 4-STARs (Buy), 456 (50%) had 3-STARs (Hold), 95 (10%) had 2-STARs (Sell), and 16 (2%) had 1-STARs (Sell).

One Man's Trash...

Noticing the mismatch between S&P's equity analysts' investment opinion distribution and the Street's, I wondered just how many stocks had favorable investment outlooks by S&P equity analysts but did not from "Street" analysts. In other words, which "Street" urchins were looked upon more kindly by Standard&Poor's. The answer: 17 stocks within seven sectors. To find out why these issues each carried our highest investment opinion, I either spoke with our analysts who follow these issues or read their most recent S&P Stock Report. Here's what they said.

Consumer Discretionary - Efram Levy, CFA, said "We expect new products and higher industry production to drive automotive sales higher in 2010. Gentex Corp (GNTX 18****) has a strong balance sheet and an above-average dividend yield." Eric Kolb said "Scripps Networks Interactive (SNI 40****) is a well-run, niche cable network owner/operator (Food TV and HG-TV) that should benefit from an expected uptick in advertising in the coming 12-months." Marie Driscoll, CFA told me she thinks "Under Armour (UA 27****) is the Nike for the 22-and-unders. Longer term, we see UA's strong and growing brand providing opportunities for new product adjacencies and expanding distribution and supporting above-industry growth."

Energy - In a recent MarketScopeAdvisor story, Tina Vital wrote, "ConocoPhillips' (COP 51****) plan to sell approximately \$10 billion in assets over the next few years, and trim its capital expenditures budget from about \$12.5 billion in '09 to about \$11 billion in '10, should improve COP's capital position and financial flexibility in a challenging industry environment. Also, COP said it would raise its quarterly dividend about 6% to \$0.50."

Financials - In a recent S&P Stock Report, Stuart Plesser wrote, "Although we see charge-offs picking up due to higher unemployment levels, we think Discover Financial Services (DFS 16****) should be lower than most of its peers, given its more conservative customer base and lower market share in areas in which housing prices are under great pressure." Rafay Khalid, CFA, recently wrote about New York Community Bancorp (NYB 13****) "We believe the AmTrust acquisition will be accretive immediately and will create a platform for future deposit growth in new markets. In addition, we forecast minimal loan losses as a result of the loss sharing agreement with the government." Erik Oja, who covers TCF Financial (TCB 13****), recently wrote "TCB, which is free of TARP-related lending pressures and constraints, has indicated that it is open to increasing its quarterly

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dividend, from the current \$0.05, as conditions improve." And finally, Royal F. Shepard, CFA, who covers UDR, Inc (UDR 15****) recently said "In the near term, debt reduction and share buybacks should provide support for this REIT's shares. In 2010, we believe UDR will benefit from the completion of several new development projects."

Industrials - Michael Jaffe told me he has a favorable opinion on Fastenal Co (FAST 39****) as "This well run, cyclical company has strong cash flow, no debts and solid growth prospects. I think the shares are worth the rich valuation." Stewart Scharf told me why he still favors Jacobs Engineering Group (JEC 36****): "Despite a slowdown in private-sector bookings, which should begin to recover in mid-2010, the currently low valuations make the company appealing to me." In the most current S&P Stock Report for Parker-Hannifin (PH 56****), Richard Tortoriello wrote "Given that we think PH's operating leverage will enable it to achieve substantial earnings growth in an economic recovery, and given our strong positive view of management, we see the shares as compelling."

Information Technology -- Dylan Cathers recently wrote "We believe Computer Sciences (CSC 56****) is well positioned to take advantage of certain of the Obama administration's areas of emphasis, including health care, transportation, infrastructure, and cyber security." Clyde Montevirgen favors Linear Technology Corp (LLTC 28****) and recently wrote "One of the better-run semiconductor companies, in our view, with relatively high margins, LLTC has been able to effectively manage through the downturn and maintain above peer profitability." Angelo Zmo, who covers MEMC Electronic Materials (WFR 13****) recently wrote "We expect sales and margins will benefit from rising semiconductor capacity utilization levels and wafer starts in 2010."

Materials - Stuart Benway, CFA, who covers Louisiana Pacific (LPX 6****), told me "This dominant industry participant should benefit from a projected acceleration of new home construction in the coming two years." Richard O'Reilly, CFA, who follows PPG Industries (PPG 60****) said "I am positive on the outlook for the PPG shares because of the expected resumption of growth in its coatings (e.g., industrial paint) business, along with its above-average dividend yield. The company just raised its dividend payment for the 38th straight year."

Utilities -- Chris Muir told me he favors Dominion Resources (D 39****) because "The company's announced target of a 55% payout ratio by 2010 should support a high single-digit dividend increase in the coming year."

So there you have it. While some on the "Street" may view these issues as urchins, S&P Equity analysts look upon them as Tiny Tims.