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## **Quality of analysis gradually improving** **Firms publishing accuracy of research predictions**

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After the investment banking scandals on Wall Street, many investors learned not to trust the stock research they were getting from their brokerage firms.

But, now, thanks in part to the global settlement, and the requirement that research firms publish data on the accuracy of their predictions, the quality of information available to investors is beginning to improve.

Merrill Lynch, Morgan Stanley, Goldman Sachs -- these are some of the biggest brokerages on Wall Street. But they are not necessarily the best, when it comes to research.

The most accurate research houses over the past four years may surprise you: A.G. Edwards, Standard & Poors, Global Capital Institute, Ford Equity Research and Smith Barney. That's according to Investars, one of the many firms now supplying investors with independent rankings of analysts that are based solely on performance.

"Because of the scrutiny by the regulators on analysts having to actually say what they mean, they are a lot more careful to make sure their rating on an actual report actually reflects their opinion of the company," said Kei Kianpoor, CEO Investars.com.

One of the most well-known and watched rankings on Wall Street is compiled by Institutional Investor magazine. But it's based on a poll of institutional investors. Now, with the global settlement, brokerages must release analyst performance quarterly, and that allows investors to see for themselves which Wall Street firm is best.

"The public is always going to be looking for the analysts that are going to be able to help them the most," said David Lichtblau, vice president of marketing at Starmine,

which rates analyst by performance "And the settlement has really put a spotlight on that objective performance measure which wasn't there before. So people just assumed that if they were from a big name shop, that their recommendation should be followed."

And that assumption could have been costly.

Take, for instance, Cisco Systems. The most accurate analysts covering the stock for the past 4 years came from mostly smaller research shops, according to Investars.

In overall performance during the market's run-up over the past year, Investars found the most accurate calls came from the larger brokerages, while independent firms tended to outperform in the down market of 2000 through 2002.

Wes Cummins heads research at B. Riley & Co., one of the firms that rode the bear market well.

"A lot of the investment banking firms became overweighted in tech at a time when tech valuations were very high," he said. "And as the market collapsed and we saw those valuations coming in fairly dramatically, since we really weren't involved in that area, we didn't get hurt nearly as bad as a lot of our competitors that had an investment banking oriented background."

Now that investors can judge which analysts are best, they can also choose which research to follow.

"Retail investors are interested primarily after all in making money," said Kianpoor. "And they want 'buys' to go up and 'sells' to go down."