

January 21, 2007 Review

Comments

Hi all from Ann Arbor. We are adding a new section this week, after the article of the week. This new section will include information of interest from the MBA sessions and include some fundamental things that may be of interest (the focus will be on things that came up during MBA classes that week). Of interest to all of you will be the info showing the significant out performance of companies with superior ACSI scores. To view quickly what I am referencing, please go to page 33 of this presentation

http://cfmt.esperia.com/20060511_forum/02/relatori/vanamburg/adsl/appro.pdf

In addition to the information, we will also be adding many new readers this week. This document is a compendium of stories of interest from the prior week with attached reference links to my original source. Material in **bold** and material in **red** are my annotations. This review is not intended to be Fairy Tale time. For story time, tune to the Cheerleading and Nonsense Bullmarket Channel (also/known/as CNBC should/be/know/as Comedy Central) (i.e. if you want Goldilocks bedtime stories this will not be the place).

WARNING – I had no time to edit or add comments this week. I also had little time to select articles so this week relies inordinately on widely available news. Accordingly, read at your own peril ☺

Credit

- Regional banks Wells Fargo & Co., U.S. Bancorp and Marshall & Ilsley Corp. reported higher fourth-quarter profits, but increases in bad loans deepened worries that a downturn in credit quality has begun and could worsen. While loan portfolios remain healthy by historical standards, the latest quarter's results show that the slower economy and sluggish housing market are taking a toll on a rising number of consumers and businesses. Marshall & Ilsley, of Milwaukee, said nonperforming assets jumped 96% to \$294 million from \$150 million in last year's fourth quarter, while losses from bad loans rose 30% to \$15 million. **WSJ Banks Fret as Bad Loans Rise**
http://users1.wsj.com/lmda/do/checkLogin?mg=wsj-users1&url=http%3A%2F%2Fonline.wsj.com%2Farticle%2FSB116894969826777590.html%3Fmod%3Dtodays_us_money_

Commercial Real Estate

Commodities

- Jan. 18 (Bloomberg) -- Oil will resume its march toward \$100 a barrel after a ``correction," said Jim Rogers, who predicted the start of the commodities rally in 1999. ``I'm just not smart enough to know how far down it will go and how long it will stay, but

I do know that within the context of the bull market, oil will go over \$100," Rogers said in a Tokyo interview. "It will go over \$150. Whether that is in 2009 or 2013, I don't have a clue, but I know it's going to happen." Crude oil in New York has fallen 34 percent to a 19-month low since it peaked at a record \$78.40 a barrel in July. Rogers, author of "Hot Commodities," has said oil will keep rising because there hasn't been a major discovery for 30 years and economic growth in China and across Asia is driving up demand. Rogers, 64, who created a series of commodities indexes and foresees a long-term bull market in oil, metals and grains, said he hadn't changed his positive view. The Rogers International Commodity Index, which more than doubled in the past five years, has dropped 13 percent in six months on a total return basis. **Rogers Says Oil Will Rise to \$100**

<http://www.bloomberg.com/apps/news?pid=20601109&sid=azQIiqfEPt8g&refer=home>

- Jan. 19 (Bloomberg) -- Canadian stocks rose today, sending the Standard & Poor's/TSX Composite Index to its second weekly gain, as energy companies were supported by a rebound in oil prices from a 19-month low. The market was also lifted by a report showing consumer confidence in the U.S. exceeded economists' forecasts, raising expectations Canada's largest trading partner may avoid an economic slump. Canadian Natural Resources Ltd. led the rally in energy producers, which were the best performers in the index. Alcan Inc., the world's second-largest aluminum producer, paced gains for raw-materials producers. "Oil may not be going down much further -- it looks like there's support for oil prices at this level," said Fred Ketchen, director of equity trading at Scotia McLeod Inc. in Toronto. Toronto. "The sell-off in oil stocks was exaggerated -- it went further than people thought was warranted," and "consumer confidence at a three-year high doesn't hurt either." Canadian Stocks Rise as Energy Shares Rally on Oil's Rebound
<http://www.bloomberg.com/apps/news?pid=20601084&sid=aCFIty0N22bU&refer=stocks>
- Jan. 19 (Bloomberg) -- Crude oil rose the most in almost three months in New York on speculation that heating-oil consumption will jump because of cold weather over the U.S. East. Temperatures are forecast to be lower than normal along the East Coast from Jan. 24 to Jan. 28, according to the National Weather Service. The Northeast accounts for 80 percent of U.S. heating-oil use. Mild weather has curbed heating-oil consumption so far this winter. New York had its third-warmest December on record. "It looks like someone has turned the weather map around in the last few days," said Aaron Kildow, a broker at Prudential Financial Derivatives LLC in New York. "We finally have winterish weather here, but it's not like we will run out of heating oil because the start was so late." Crude oil for February delivery rose \$1.51, or 3 percent, to close at \$51.99 a barrel on the New York Mercantile Exchange. It was the biggest one-day increase since Oct. 25. Futures touched \$49.90 yesterday, the lowest since May 25, 2005. Prices are down 1.9 percent this week and are 22 percent lower than a year ago. "There's a bit of a bounce after traders tried to take it below \$50 again and failed," said Tom Bentz, an oil broker with BNP Paribas Inc. in New York. "There is no news item to explain the bounce, just a loss in the downward momentum. The market will probably resume the downward trend when we come back next week." Fuel Demand U.S. fuel demand dropped in 2006 because of record crude-oil prices and mild winter weather, the American Petroleum

Institute said today. Deliveries of petroleum products, a measure of demand, averaged 20.6 million barrels a day last year, down 1.1 percent from 2005, a report from the industry-funded group showed. It was the second straight annual decline. Heating-oil consumption declined 12 percent to an average 949,000 barrels a day last year, the report showed. "It does look like the pattern is going to stay pretty cold in the Northeast at least through the end of the month and into February as well," said Gerald Mohler, meteorologist at AccuWeather Inc. in State College, Pennsylvania. "It looks like it's going to be 5 to 10 degrees below normal for the next two weeks." Heating oil for February delivery rose 4.28 cents, or 2.9 percent, to close at \$1.5135 a gallon in New York. Futures touched \$1.453 a gallon yesterday, the lowest since June 1, 2005.

http://www.bloomberg.com/apps/news?pid=20601012&sid=aAqJ_Ulqqd98&refer=commodities

- Is oil in a bear market in 2007? Natural gas prices are depressed, heating-oil prices have plunged, and now, crude oil has joined the bearish trend. Despite a huge sell-off this month, I remain extremely bullish on oil in 2007. From \$77 a barrel in July, crude oil has tanked 33% this year, and 13% alone in January. It's a severe decline, but in no way does this action mark the end of the secular bull market that started in late 2001. Five main factors compel me to remain bullish, including: Heating-oil supplies are currently abundant but can change in a New York minute as bizarre warm weather has gripped the gas-guzzling Northeast. This will change as colder temperatures arrive; The pullback is simply a vicious countertrend move because the structural outlook for energy prices remains positive. Lean inventory levels coupled with strong demand, especially from China, will maintain a floor and help sustain the bull market for energy stocks; The global economy may be slowing, but it's still growing. China is booming with 9% growth, India at 8.5% and Europe and the rest of Asia are still chugging along. Even the United States, suffering a mid-cycle slowdown since last fall, will resume its growth trend later this year as interest rates remain low and liquidity buoyant; Institutional investors and especially, hedge funds have been dumping oil contracts as prices erode this month. Traders don't like to lose money and when a major trend reversal occurs, they close-out their positions quickly. This is probably the main reason, in addition to unusually warm weather, why oil prices have tanked in January. In my eyes, the big sellers are out at this point; Geopolitical stress, almost asleep since last fall, is starting to simmer again this month. The United States is once again challenging Iran, becoming more aggressive. Also, other hot-spots where oil exploration is a major source of income like Venezuela and Nigeria are hotbeds. If you think we've seen the end of the Oil Wars, think again. No other commodity in the world is hostage to political manipulation like oil. I expect OPEC, renegade oil producers and geopolitical confrontations to emerge again soon. <http://www.commoditytrendalert.com>

Currency

- Jan. 22 (Bloomberg) -- OPEC nations are unloading Treasuries at the fastest pace in more than three years as crude oil prices tumble, sending bond yields higher. Exporters including Indonesia, Saudi Arabia and Venezuela, sold 9.4 percent, or \$10.1 billion, of their U.S. government debt securities in the three months ended in November, according to Treasury Department data. Members of the Organization of Petroleum Exporting

Countries last sold Treasuries for three straight months in June 2003. Oil producers have surpassed Asian central banks as the largest pool of global savings, accumulating an estimated \$500 billion in 2006 alone, according to research by Pacific Investment Management Co. The sales during those three months mark a reversal because OPEC countries have boosted their holdings of U.S. government bonds by 70 percent to \$97 billion in the past 17 months, Treasury data show. **“There will be a significant sell-off,”** Joseph Stiglitz, a Nobel laureate and economics professor at Columbia University in New York, said in an interview. “Medium-term and long-term yields will go up.” Oil producers, including non-OPEC countries, have disclosed almost \$200 billion of U.S. government, corporate and agency bonds, said Ramin Toloui, who helps manage about \$641 billion for Newport Beach, California-based Pimco, a unit of Munich-based Allianz SE. The holdings are split about evenly between securities due in less than a year and those with longer maturities. Higher Yields Treasury 10-year note yields were unchanged at 4.78 percent last week, with the price of the 4 5/8 notes due in November 2016 finishing Jan. 19 at 98 26/32. Yields on two-year notes rose 4 basis points to 4.92 percent. A basis point is 0.01 percentage point. OPEC members are selling Treasuries because crude prices have declined 34 percent from a record high of \$78.40 a barrel in July. They are reducing demand for U.S. government bonds at the same time as central banks from China to Romania say they want to reduce holdings of dollar-denominated assets. For every \$10 drop in the price of a barrel of oil, OPEC members adjust Treasury holdings by about \$34 billion, according to estimates by Michael Pond, an interest-rate strategist in New York at Barclays Capital Inc. Selling that amount would raise yields by 0.05 percentage point, he said. **OPEC Dumps Treasuries at Fastest Pace Since 2003 on Oil Slide**

<http://www.bloomberg.com/apps/news?pid=20601087&sid=aqnC4ssoiBFc&refer=home>

Diversification

Derivatives

- Jan. 19 (Bloomberg) -- The risk of owning corporate debt is the lowest in at least four years after housing data bolstered confidence that the worst of the residential real estate slump is over, according to traders who bet on corporate creditworthiness in the credit-default swap market. The Dow Jones CDX North America Investment Grade Index, based on the bonds of 125 companies with investment-grade ratings, fell 3.8 percent this week to 32.16 from 33.42 on Jan. 12, according to data compiled by CMA Datavision in London. It's the lowest level since the index was created in 2003. The perceived risk of owning bonds rated below investment grade also hit a record low this week, Credit Suisse Group data show. Disappointing earnings reports by homebuilders were overshadowed by Commerce Department data showing that the number of new homes started last month unexpectedly rose 4.5 percent. Housing starts were expected to drop, according to the median forecast of economists surveyed by Bloomberg. Jobless claims fell to an 11-month low, a government report showed yesterday. “There's some optimism that credit quality will continue to remain strong and default rates will remain low,” said Ira Jersey, a strategist at Credit Suisse in New York. “Homebuilders did pretty well because of

housing starts and permit numbers. Certainly, with the jobless claims being low, people will have money to spend." **Bonds Safest in at Least 4 Years, Credit Swaps Show**
<http://www.bloomberg.com/apps/news?pid=20601087&sid=a8uFMI2G7OeQ&refer=home>

Earnings

- **General Electric (GE, \$36.95, -1.05)** delivered headline grabbing profit numbers for Q4, but as was the case with the Q3 results, today's earnings announcement was met by a collective yawn from the market. GE dropped -3% even though the industrial giant more than doubled its quarterly profit and forecasted continued growth for 2007. Overall, analysts either viewed the company's results as "mixed" or simply in line with expectations. Bullmarket report 1/20 www.bullmarketreport.com
- The tech-heavy Nasdaq was weighed down by a -6% decline in **Intel (INTC, \$21.04, -1.26)**, which reported results after yesterday's close. The semiconductor maker reported a -39% drop-off in its Q4 earnings on a -5% decline in revenue. The revenue results were better than analysts expected, but news that its ongoing price war with **Advanced Micro Devices (AMD, \$18.20, +0.07)** has yet to cease rattled investors. Also weighing on the stock was the company's projection that its closely watched gross profit margin would be lower in the current quarter than in Q4, which surprised investors Bullmarket report 1/17 www.bullmarketreport.com

Housing

- Home builders continue to announce inventory write-downs, fueling concern that the U.S. housing market hasn't reversed its decline just yet. Last year home builder stocks lost 25 percent of their value, according to Morningstar's industry index. In October and November, home sales improved slightly and many took that as a sign that conditions were improving. But those small increases don't erase the fact that there are a historically high number of homes on the market. **The percentage of vacant houses for sale compared to total housing units was over 1.5 percent in the third quarter, higher than at any time since 1965, according to Census Bureau data.** "The building industry built far in excess of demand in the past two years," says Eric Landry, an equity analyst with Morningstar. "What it's gonna take is sopping up this excess demand." Home builders haven't reduced prices enough to move the inventory, says Carl Reichardt, a Wachovia Capital Markets analyst. Landry is also skeptical that a recovery is in sight. "The amount of nonperforming land on these companies' balance sheets is still very high," Landry says. "It just doesn't appear to us that it's bottomed." Analyst Too Many Homes For Sale
<http://www.realtor.org/RMODaily.nsf/pages/News2007011701?OpenDocument>
- Housing starts in December 2006 were 1,642,000, up 4.5% from November but down 18% from December 2005. Permits were 1,596,000, up 5.5% from the previous month but down 24.3% from one year ago. <http://www.economicindicators.gov>.

Housing Finance

Macro Economic

- Jan. 19 (Bloomberg) -- The European Commission expects Europe's economy to "remain strong" in coming months and inflationary pressures to be eased by the drop in oil prices and the euro's strength, a confidential draft document shows. While Germany's sales-tax increase on Jan. 1 could "take its toll" on euro-area growth, "economic activity will remain strong in early 2007," according to the document obtained by Bloomberg News. At the same time, "falling oil prices and an appreciating euro should alleviate price pressures in the near term." The European Central Bank has signaled it would raise borrowing costs in March for a seventh time since late 2005 to keep inflation in check. ECB President Jean-Claude Trichet said Jan. 11 that investors' expectations for a March increase may be justified, as the pace of growth gives companies room to raise prices and employees leeway to seek more pay. Bundesbank board member Edgar Meister said in an interview yesterday that the ECB must remain "very vigilant" on price risks in the 13-nation euro region as economic expansion and wage demands could fan inflation. ECB executive board member Juergen Stark, when asked today in Budapest whether he thought borrowing costs are still "low," said: "It's not a question of belief. It's a fact." Wage Pressures The commission, the European Union's executive arm, said in the draft document that "wage pressures are likely to become stronger, which eventually could translate into consumer prices." While euro-area inflation remained at 1.9 percent in December, below the ECB's 2 percent ceiling, the commission forecasts a rate of 2.1 percent for this year. European Union Monetary Affairs Commissioner Joaquin Almunia said yesterday in Madrid that growth in the euro region this year will come close to 2006's estimated pace of 2.6 percent, the highest in six years, suggesting the economy can withstand further interest-rate increases. Last year's growth rate was 2.6 percent "if not more," he said. "Despite the ongoing withdrawal of monetary stimulus, global financial conditions have remained conducive to growth," according to the commission document, to be discussed at the Jan. 29-30 finance ministers' meeting in Brussels. House Prices "Low interest rates have also created the conditions for rising asset prices, both for equity and house prices," the draft said. House prices appear "very richly valued" in countries like Denmark, France, Spain and Ireland, "carrying the risk of a price correction," the document said. "Such house-price corrections could impact on the economy at large." The "possible adverse impact of an appreciating euro on euro-area growth is partly offset by the positive effect of lower oil prices," the document said. The euro, which rose 11 percent against the dollar last year and touched a 20-month peak of \$1.3367 in early December, was trading at \$1.2958 at 2:30 p.m. in Brussels. Oil prices have dropped by more than 30 percent since reaching a record \$78.40 a barrel in July. Crude oil in New York was trading at \$50.55 today, having declined in four of the last five months.
<http://www.bloomberg.com/apps/news?pid=20601068&sid=ahNUnC757EwA&refer=economy>
- Jan. 19 (Bloomberg) -- Economic growth in the U.S. will pick up in the course of this year as the housing slump eases, the American Bankers Association projects. Growth

will accelerate to a 2.9 percent annual rate in the final quarter of the year from 2.4 percent in the first three months, the Washington-based group said today in a twice-yearly forecast. For the year as a whole, it projects an expansion of 2.7 percent. The expansion would still be the weakest since 2003, the group said. Slower growth and falling oil prices will reduce the inflation rate, allowing the Federal Reserve to keep borrowing costs unchanged in 2007, the association's Economic Advisory Committee predicts. "The oil decline is a real benefit to the economy," committee member Dana Johnson, chief economist at Comerica Bank in Ann Arbor, Michigan, said in an interview. "It not only stimulates growth, but it also reduces inflation. And it's probably offsetting about half the drag from housing, and it's going to help the Fed keep inflation contained." The slump in home sales will reach bottom around the middle of the year, the group forecasts. Sales of both new and existing homes will have their worst year since 2002. Housing starts, which lag behind new home sales, will slide throughout 2007, the group said. It forecasts starts of 1.43 million, the lowest since 1995.

<http://www.bloomberg.com/apps/news?pid=20601068&sid=auth3uyQRYD8&refer=economy>

- Jan. 19 (Bloomberg) -- Americans entered 2007 more confident than at any time in three years as energy prices retreated and a strengthening labor market pushed wages higher. The Reuters/University of Michigan's preliminary index of sentiment rose to 98 this month, higher than forecast, from 91.7 in December. The gauge averaged 87.3 in 2006. Gasoline prices are down 28 percent since August, leaving more cash in the pockets of consumers, whose spending accounts for more than two thirds of the economy. The report caps a week of figures showing a rebound in housing, gains in industrial production and a drop in jobless claims to an 11-month low. **U.S. Economy: Confidence Rises to a Three-Year High**
<http://www.bloomberg.com/apps/news?pid=20601068&sid=aJtOui1ezQEs&refer=economy>
- Jan. 19 (Bloomberg) -- Federal Reserve policy makers, confident that signs of a pickup in growth mean the economy will weather the housing slump, are showing little indication of relaxing their concern over inflation. Richmond Fed Bank President Jeffrey Lacker and Kansas City Fed chief Thomas Hoenig today joined officials including Vice Chairman Donald Kohn in indicating it's too early to relax the Fed's guard on prices. Lacker said high inflation "clearly remains the most predominant macroeconomic policy risk." Signs of accelerating growth may allay the concern among "several" officials at their Dec. 12 meeting that risks to the expansion were increasing. Reports such as today's jump in consumer confidence, along with Fed officials' warnings, spurred traders to pare calls for interest-rate reductions this year. "The prospect of any potential Fed easing this year, which had enjoyed so much currency in financial markets, has receded," said Neal Soss, chief economist at Credit Suisse Group in New York, who expects the Fed to leave rates unchanged in 2007. **Fed Officials Say Inflation Is Key Risk as Economy Gathers Pace**
http://www.bloomberg.com/apps/news?pid=20601087&sid=aIF9ko_Pi3Ic&refer=home
- Jan 17 Philly Fed [\[have not looked at this either\]](http://www.philadelphiafed.org/files/bos/bos0107.html)
<http://www.philadelphiafed.org/files/bos/bos0107.html>

- Jan 17 Beige Book link [I have not had a chance to look at this at all] <http://www.federalreserve.gov/fomc/beigebook/2007/default.htm>
- Jan 17 Industrial Production and Capacity - Industrial production rose 0.4 percent in December after a decrease of 0.1 percent in November. Output in November was previously estimated to have advanced; weaker data for a number of industries, particularly steel, led to the downward revision. For the fourth quarter as a whole, industrial production decreased 0.5 percent (annual rate). In the manufacturing sector, output increased 0.7 percent in December, and most major industry groups registered gains. The output of utilities fell 2.6 percent, the result of relatively mild temperatures during the month, while the output of mines moved up 0.8 percent. Over the twelve months ending in December, total industrial production increased 3.0 percent, to a level that was 112.4 percent of its 2002 average, and total industrial capacity expanded 2.4 percent. The rate of capacity utilization in December, at 81.8 percent, was 0.5 percentage point above its year-earlier level and 0.8 percentage point above its 1972-2005 average. <http://www.federalreserve.gov/releases/g17/current/default.htm>

Retail

Retirement

Risk

- VIX closed at 10.4 and equity put call .56/total put call at .83 [it's all good Goldilocks. For our newer initiates, these figures demonstrate a great deal of complacency and a belief that volatility will be low. If you don't understand, that's ok, chances are your broker does not either] <http://www.cboe.com/MarketStatistics>

Savings Rate

Tech

Wall Street

[Article of the week:](#)

[Today's article of the week is that is snowed all week in Michigan!](#)

UM MBA

- **S & P 500 composition** - Widely regarded as the best single gauge of the U.S. equities market, this world-renowned index includes 500 leading companies in leading industries of the U.S. economy. S&P 500 is a core component of the U.S. indices that could be used as building blocks for portfolio construction. It is also the U.S. component of S&P Global 1200.
Index constituents exhibit the following characteristics: **Market Coverage** – Approximately 75% of the U.S. equities market **Weighting** – Market capitalization **Market Capitalization** – Minimum of US\$ 4 billion **Public Float** – At least 50% **Reconstitution** – As needed basis With more than US\$ 1.45 trillion in indexed assets, the

S&P U.S. indices have earned a reputation for being not only leading market indicators, but also investable portfolios designed for cost efficient replication or the creation of index-linked products. The history of the S&P 500 dates back to 1923, with an expansion to include 500 companies in 1957.

Index Governance and Policy

This index is maintained by the S&P Index Committee, whose members include Standard & Poor's economists and index analysts. It follows a set of published guidelines and policies that provide the transparent methodologies used to maintain the index.

http://www.stockinfo.standardpoor.com/portal/site/sp/en/us/page.topic/indices_500/2,3,2,2,0,0,0,0,0,0,0,0,0,0,0,0.html

- **S & P fact sheet -**

<http://www.stockinfo.standardpoor.com/spf/pdf/index/500factsheet.pdf>

- **S & P composition – stocks with 1-3 letter tickers are NYSE or AMSE, 4 and up are NASDAQ stocks (this is a data base with info on all 500 current members of the index**

http://www.stockinfo.standardpoor.com/portal/site/sp/en/us/page.topic/indices_500/2,3,2,2,0,0,0,0,0,0,3,1,1,0,0,0.html

- **The ACSI - ACSI reports scores on a 0-100 scale at the national level.** It also produces indexes for [10 economic sectors](#), [43 industries \(including e-commerce and e-business\)](#), and more than 200 companies and federal or local government agencies. The measured companies, industries, and sectors are broadly representative of the U.S. economy serving American households. Smaller companies are grouped together in an “All Others” category for each industry <http://www.theacsi.org/>
- **How are ACSI measured companies selected? Do they change over time?** ACSI measures customer satisfaction with the products and services of approximately 200 companies in 43 household consumer industries and nearly 100 major customer segments of federal agencies. Within each industry companies are selected on the basis of total sales and the measured companies represent a significant proportion of the overall market share of the industry. Individual companies are added or deleted from ACSI as their market position changes or as a result of mergers and acquisitions. Industries are added as new types of consumer products or services emerge and grow over time like Internet retailers or wireless telephone service carriers.
http://www.theacsi.org/index.php?option=com_content&task=view&id=46&Itemid=43#how_are_the_measured

What can ACSI tell us?

Some ACSI findings from more than 12 years of data include:

- **Customer satisfaction is a leading indicator of company financial performance. Stocks of companies with high ACSI scores tend to do better than those of companies with low scores.**
- Changes in customer satisfaction affect the general willingness of households to buy. As such, price-adjusted ACSI is a leading indicator of consumer spending growth and has accounted for more of the variation in future spending growth than any other single factor.
- Because consumer spending accounts for 70% of GDP, changes in customer satisfaction as measured by ACSI also correlate with changes in GDP growth. As GDP is a measure

of the quantity of economic output and ACSI a measure of its quality, economic growth is dependent on producing not only more but also better products and services.

- Manufactured goods tend to score higher on ACSI than services. For example, canned food and household appliances score much better than banks, airlines, and cable TV. Typically, the more service required, the lower the satisfaction.
- Quality plays a more important role in satisfying customers than price in almost all ACSI-measured industries. Price promotions can be an effective short-term approach to improving satisfaction, but price cutting is almost never sustainable in the long-term. Companies that focus on quality improvements tend to fare better over time in ACSI than companies that focus on price.
- Mergers and acquisitions have a generally negative effect on customer satisfaction, particularly among service industries. ACSI-measured service companies that have engaged in frequent, large acquisitions typically experience significantly lower ACSI scores in the period following a merger when the customer as asset often takes a backseat to reorganization and consolidation via cost-cutting.
- http://www.theacsi.org/index.php?option=com_content&task=view&id=46&Itemid=43#how_are_the_measured

ACSI presentation re relationship of ACSI fund and S & P 500

http://www.smith.umd.edu/ama2006/program/ppt/Jul13/134_fornell.ppt

for those with WSJ online access an article this week on options expensing:

How Expensing for Options Throws Analysts Off Course

BY HERB GREENBERG

Word Count: 775 | Companies Featured in This Article: Salesforce.com, Eclipsys, Mentor Graphics, Millennium Pharmaceuticals, Opsware, Electronic Arts, Thomson, Reuters Group, Bank of America, Goldman Sachs Group, AllianceBernstein

One tried and true way to analyze a company is to compare its value with its peers. When it comes to tech and biotech, more than any other industry groups, you're on your own -- especially if you're relying on the most widely used consensus earnings forecasts.

Earnings per share estimates for many companies simply aren't created equal, largely because of the uneven treatment of options expensing by analysts. While it has been a full year since new accounting rules required companies to include options expenses in earnings, there is no such standard for analysts or companies that compile estimates.

<http://users2.wsj.com/lmda/do/checkLogin?mg=wsj-users2&url=http%3A%2F%2Fonline.wsj.com%2Farticle%2FSB116925560597582277.html>