

# **DUMB AND LAZY**

## **NOVEMBER 2002**

I have seen many strange things happen on Wall Street and this past month was no exception. Analysts never cease to amaze me with their ability to confuse the general public. We are always going after analysts for failing to issue sell recommendations on stocks. This month one Merrill Lynch analyst decided to do something truly unique.

Merrill Lynch analyst, David Risinger, changed his recommendation on Merck Pharmaceuticals to sell from buy, only to change the rating again to neutral a few hours later. It was the first time that an analyst had issued three separate ratings on one stock on a single day since Thompson Financial began tracking stock analysts in 1994.

The explanation for all the confusion articulates how useless most of these analysts are. Mr. Risinger downgraded the stock after Merck announced that it would hold a conference call on Thursday. Mr. Risinger said that it appeared that Merck would disclose disappointing projections on future earnings. But after Merck received the downgrade, it issued another statement, saying that it would meet its profit targets. Mr. Risinger then upgraded the stock to neutral saying "the justification for the sell rating no longer exists." What I take from this scenario is that Mr. Risinger was basing his recommendation on a conference call that he didn't know was about. What ever happened to doing your homework? Does that keen insight justify his million-dollar salary and the high commissions clients of the firm pay? Merrill Lynch would be better off if they scraped all their analysts and instead handed out magic 8 balls to all their clients and brokers, they would be much better served.