My Own Analyst

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AB Analytical Services
Alan Brochstein, CFA

What is My Own Analyst?

MOA is a private subscription-based blog that enables traders and investors to access on a timely basis the insight of a full-time equity analyst with 25 years of professional experience, Alan Brochstein, CFA.

Who is Alan Brochstein, CFA?

A native Texan who graduated from Northwestern in 1986 and spent 8 years in NYC before returning to Houston, Alan is an equity analyst who is able to balance fundamental, technical and valuation factors in order to pick winning stocks. Alan currently works in a variety of roles, maintaining consulting relationships with several investment advisors, conducting research for an independent research firm focused on assessing management teams, and running two highly successful investment models for individuals at InvestByModel. He is also a leading contributor to Seeking Alpha and blogs for TradeKing.

Work History

- 1984-85 – Summer Internship with Brinson Partners
- 1986-1992 – Kidder, Peabody (bonds)
- 1992-1994 – CS First Boston (bonds)
- 1994-1998 – Criterion/Nicholas Applegate (bonds)
- 1999 – Internet Venture
- 2000-2007 – Piedra Capital (stocks)
- 2007-Present – AB Analytical Services

Benefits to Subscribers

- Actionable and Timely Ideas
- Unbiased, Professional Opinions
- Ability to Get Questions Answered
- Access to Alan’s Watchlist w/Technical Review
- Access to Alan’s Price Targets, Support/Resistance levels and technical indicators on all stocks he currently recommends
- More Confidence than Investing Alone
- Small Subscriber Base – No “Cramerish” Feeding Frenzy

Specifics

- We Cover Stocks Owned in the Models at Invest By Model
- We Cover Stocks on Alan's Watchlist of 100 Stocks
- We Cover LOTS of Other Stocks
- We Answer Your Questions

Categories of Posts

- Aggressive Growth Stocks
- Ask Alan
- Breakout Stocks
- Conservative Growth/Balanced Model Portfolio
- Conservative Stocks
- Consumer Discretionary Stocks
- Consumer Staples Stocks
- Contrarian
- Dividend Plays
- Economic Policy
- Energy Stocks
- ETF
- Financial Stocks
- Great Management Stocks
- Growth
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- International
- Large-Cap Stocks
- Lots of Detail
- MagicDiligence
- Market Direction /Strategy
- Material Stocks
- Mega-Cap Stocks
- Mid-Cap Stocks
- Morningstar
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Other Features

- Search by name/ticker
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- Click on “Ask Alan” to send in an email question that will be posted to the website

Example: Big Picture

Big Stocks Bouncing (4/6/11)

While I would like to think that I have cornered the market on big dogs (INTC, CSCO, JNJ), there are many. The stocks are all very cheap by many metrics and not likely to pull an AMSC - they are solid but mature. Let's start at the top (in terms of size) as we assess the technicals of all of the Mega-Caps or those that are close (let's say $90 billion) and that are within 15% of their 52-week low. To help, here is a listing by size along with other parameters.

COMPANY NAME	TICKER SYMBOL	PRICE PER SHR 4/5/11	MRKT CAP (MILS) 4/5/11	% ABOVE 52 WEEK LOW	PRICE % CHG YTD	PRICE % CHG 12 MTHS	PRICE % CHG 2 YR	PRICE % CHG 10 YRS	P/E FORWARD 4 QTRS
MICROSOFT	MSFT	25.78	216,613	13%	-8%	-12%	37%	5%	9.8
WAL-MART STORES	WMT	52.74	187,860	10%	-2%	-5%	-2%	4%	11.9
JOHNSON & JOHNSON	JNJ	59.80	163,566	5%	-3%	-9%	15%	37%	12.4
INTEL	INTC	19.71	108,169	12%	-6%	-13%	24%	-25%	9.7
PEPSICO	PEP	65.58	104,043	9%	0%	-1%	24%	49%	14.6
MERCK & CO.	MRK	33.16	102,235	8%	-8%	-11%	25%	-54%	9.0
CISCO SYSTEMS	CSCO	17.22	95,192	1%	-15%	-34%	-5%	9%	10.5
					-6%	-12%			

I didn't include some other info, but realize that all of these pay healthy dividends.   The average is 3.1%, with an average growth rate of 10% per year over the past 5 years and an average payout of just 33% (all are below 50%). Also, while PEP and WMT have some debt, it's not out of the ordinary. Most of the rest of the list has more cash and investments than debt.

MSFT bounced a little below what I think is a big support area of 25. Looking at the monthly chart, a break of 26.50 would be a buy signal in my view, and I anticipate that we see that shortly. More obvious on the weekly chart is breaking 27.

WMT bounced a little below support I had pegged at 51.70, so it too looks like it tried to break support during the Japan crisis but quickly got back above. 53.50-54 is resistance on the weekly chart, and there is a gap to fill just above there. On the monthly chart, it looks to me like clearing 56 will trigger a long-term buy, but this bounce looks solid.

JNJ also broke the 58 support level briefly. The stock is trading right in middle of a tight 10-point range for the past 23 months. I believe that a 61.50 break would turn the monthly chart bullish.

INTC is bouncing nicely since breaching 19.50 support briefly just Monday. This chart isn't exactly encouraging yet - hopefully it improves. In my view a break of 21.50 would turn the monthly chart bullish.

I don't follow **PEP** really at all - we chose KO over PEP at a client of mine due to international exposure and less exposure to snack food, and it looks like we made the right choice at the time. I have to say that I really like the LT chart and feel like it has already turned bullish. This is just a big consolidation, and we are sitting pretty close to the 52-week high actually though it is also close to the 52-week low. In my view, a break of 67 sets up a run for the all-time high area of 77-80.

MRK chart has improved, and reattaining 33 was very positive. It looks set to test 35.50-37.

CSCO is bouncing hard today and looks now to have formed a double-bottom near 17. This one is the earliest of all - first test is 19. 17 was support over several months in 2005-2006 before it made a run to 33 in 2007. While I am glad it bounced, this is not a pretty chart!

So, the charts may be turning, the stocks are cheap and there is a good story out there for why these stocks will look better to many investors than bonds over the next few years. None of this is new except the chart part! Clearly these stocks belong in conservative accounts, but I will make the case that they can actually beat the market in some cases. I don't care for MRK, but I like MSFT and PEP in addition to the three in my models. WMT's interesting too, but not as attractive.

Example: Stock Update

LAYN: Q4 Report (4/5/11)

For the past two weeks, I have had LAYN highlighted in green. After their report and the rally today, I no longer like the name short-term. The report was very strong, but the future is going to be challenging.

The company has three divisions. The largest is water infrastructure. It is being helped by an acquisition but is struggling nonetheless. A big project is rolling off as well. Energy is a real drag - they have a shallow gas operation that is unhedged. The big positive is mineral exploration - they are doing exceptionally well here, but they are maxed out on capacity and it's all about pricing.

Examples: Trash or Treasure

Trash or Treasure: URBN? (03/07/2011)

URBN is getting smacked silly in the AH after reporting disappointing earnings. This is a stock I have purposefully avoided in the Top 20. In fact, its high valuation when we bought CHS in late August was one of the things that gave me courage to buy. I find the stock to be expensive, and I am not pleased by the unfriendly shareholder items I uncovered in the proxy last year (not the end of the world).

This one is not treasure - I see 32 as a likely potential basing point, but it's a tough one to be short. If you disagree with my somewhat negative view, you might want to give this a few weeks to settle down after the big disappointment before buying.

Trash or Treasure: GTY (3/2/11)

This post is my first of what I hope subscribers find useful. When stocks plunge, it can be a great opportunity. I don't always have an opinion (i.e. I am not writing up WFT), but, when I do, I will share it. On this one, I am sorry to be a bit slow out of the gate - I have a client long the stock and have been checking resources for him.

GTY is a REIT that is rather unique in its focus - gas stations. It has had a major overhang in its exposure to Russian company Lukoil. The company, which recently did a 3.45mm secondary at 28 and has diversified a bit, still has very large exposure. Lukoil transferred ownership to an unnamed 3rd party who skipped a payment that was due yesterday but intends to make it by 3/7. This could be nothing, or it could be the start of renegotiation. JPM downgraded the stock from Neutral to Sell, with a 22 target citing uncertainty and a likely 10% reduction in FFO (earnings). If that's all it is, this is a screaming buy.

The stock isn't widely followed but pays a big fat dividend. The market has been afraid of this happening (if, indeed it is) for a long time. Perhaps the dividend isn't cut, but it probably would be. There are some bank covenant issues to - I am still getting my hands around this. For aggressive traders/investors, this one looks very interesting. It's not on my watchlist, but it is on my "prospects".

Examples: Short-term Trade Ideas

Way to Play T Move (3/21/11)

T shook things up today. There is a chance the deal doesn't go through due to anti-trust concerns, so anything down today would benefit. That includes S, CLWR and the tower guys, among others.

Speaking of the tower guys (AMT, CCI and SBAC), this is probably a good chance for conservative investors to buy AMT. It's the best of the group and is likely to convert to a REIT next year and begin paying a dividend. It's not on my watchlist, but my client owns it. This is overdone in my view - calling it a short-term buy. It's probably a long-term buy too!

Do Tsunamis extinguish Volcanoes? (3/15/11)

VOLC is a watchlist company that I have followed for a while and owned in the past. It is approved for purchase at a customer where I am the analyst responsible for monitoring.

The company is a monster - they compete with big boys and win. Their sole focus is cardiovascular. They just had an analyst day last week and have an excellent presentation on their website. They sell mainly consumables - catheters used to diagnose and treat cardiac and vascular disease. They enable PCI to be done at the right time and the right way (instead of CABG).

The company does about 25% of its sales in Japan - almost all related to the consumables. This biz isn't going away at all. The stock has been very expensive, but I view this as a reasonable entry. I target 4X EV/S as a future price, which suggests 29-30 a year out. Maybe knock a point off for reduced Japanese sales. This is a good long-term entry for the bulls (who have been more bullish than me on the price) - it shouldn't be off this much. I am not likely to add it to the model yet, but it looks like a reasonable short-term trade.

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