

Financial resources abound on Web

Boston Globe, by Ross Kerber

For do-it-yourself investors, it's never been easier to do it without Wall Street's advise.

This week's \$1.4 billion settlement between large brokerages and securities regulators was designed to restore faith in stock analyst reports, especially those provided to customers by retail brokers. It will direct hundreds of millions of dollars to support new research to lure back investors made distrustful by reports of misleading analysis and conflicts of interest.

But that could be a tall order, as small investors have learned to rely on a growing number of websites that provide a flood of financial data including independent analyst reports, earnings data, and stock performance information for free or small subscription fees. And many publicly traded companies themselves have built vast investor relations Web pages.

These resources provide most of the background that investors need to understand company basics, said David Lichtblau, vice president at StarMine, a San Francisco company that rates the performance of analysts. "It's unbelievably easy compared with a few years ago to learn the specifics," he said. That's a good thing, Lichtblau said, since in the wake of trading scandals and layoffs there are fewer analysts to go around.

John Tesoro, director of equities at Adams, Harkness & Hill, the Boston investment bank, said more than 40 percent of the companies traded on the Nasdaq stock exchange aren't covered by any analyst. So savvy individual investors can learn just as much from researching public documents on their own as they could by turning to brokerages. Even some who might have turned to brokerages in the past may now be skeptical of potential conflicts.

At the same time, Tesoro says people shouldn't play the stock market unless they have a solid business background or some good advise. "The odds are against the average individual in this business," he said. "It takes someone who's had some sort of business experience in the financial area, or who can connect the dots and be skeptical," he said.

Many investors begin their research with the reports that all publicly traded companies must file with the Securities and Exchange Commission, at www.sec.gov. The site's Edgar database of company reports is a basic source of financial information such as a company's quarterly earnings and its proxy reports, which detail compensation for top executives.

Other resources include the websites of the business press and more specialized sites such as Yahoo's finance section or that of CBS Marketwatch. The latter were once known for their gossipy, lightweight chat board areas popular with day traders, but they have steadily added features to summarize company press releases, news stories, and major stock movements.

Some like Yahoo also provide access to analyst reports through deals with sites like www.multexinvestor.com, owned by Reuters Group PLC, which buys access to research both from Wall Street and from independent investment services. Some of these reports are free, others are for sale at low prices.

Steve Wightman, a Lexington financial planner, also cites the website of the American Association of Individual Investors, www.aaii.com. Though his business is to research companies for clients, Wightman says anyone thinking of investing for themselves should consider the advice of Fidelity Investments' guru Peter Lynch to invest in companies whose products and performance they can understand. "You should go with what you know," Wightman said.

The deal finalized this week between regulators and brokerage companies such as Merrill Lynch and Morgan Stanley was meant to stop the abusive practice in which analysts spun their comments about companies to be more positive in hopes of capturing large investment banking fees. The firms didn't admit to any wrongdoing under the terms of the settlements, but agreed to pay a total of \$432.5 million to fund independent research. In addition, each firm agreed to provide its customers with reports from at least three independent research firms.

Exactly how this research will be purchased is still to be worked out, however. One idea is that Wall Street firms would buy reports from smaller boutiques that traditionally sell research only to large mutual fund managers.

But some of these boutiques say the business model might be difficult. For instance, Paul Nisbet, principal of JSA Research in Newport, R.I., has gotten high ratings picking aerospace and defense stocks, but says the few dozen companies he follows represent too small a percentage of the Standard & Poor's 500 index to be of much interest to the general public

JSA sells its reports through www.multexinvestor.com for \$3,000 a report, but most of JSA's sales are to 40 or so fund managers, who pay up to \$15,000 a year. Nisbet says he doesn't expect most investors would be interested in his reports – or care to pay for them.

"I'm afraid that, because of its targeted, narrow nature, our research would be difficult to sell on a retail basis," Nisbet said.