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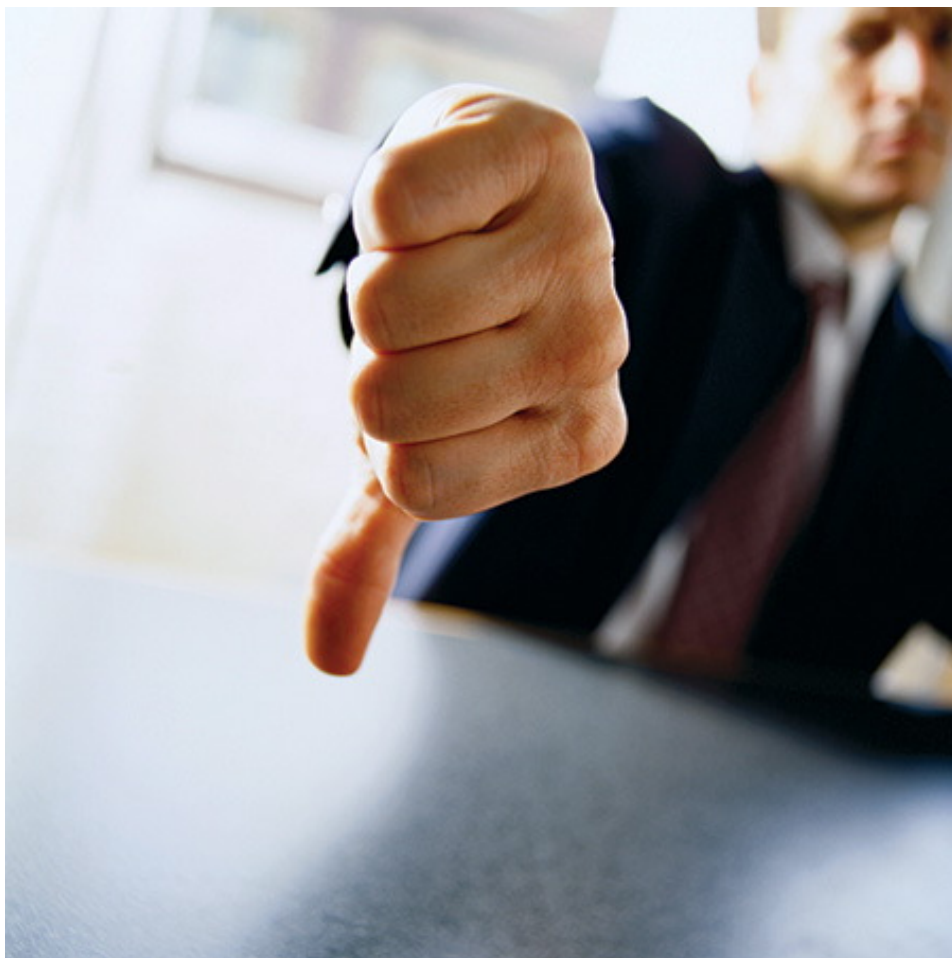
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## If These Analysts Say 'Sell,' Sell

By Ben Levisohn

It's a familiar caveat: Be wary of a stock rating by an "affiliated" analyst—one who's at a bank that underwrote the listing's equity or bond deals. But there's one call to heed, a new study suggests: the "sell." Assistant finance professor Michael Cliff at Virginia Tech's Pamplin business school studied 24,000 analyst ratings from 1994 to 2005. He found that when affiliates said "buy," which they did more than half the time, their picks underperformed by 2% the stocks promoted by independents. But their "sells," just 457 in all, were solid. Investors shorting those stocks got "abnormally" high returns. The stocks marked for dumping by independents actually rose, about 8%. When affiliates shout "sell," says Cliff, their banks probably have cut business ties with the company. So "they're more willing to tell the truth."



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