

## Taking Stock: Sell - a discouraging word seldom heard on the Street

by Malcolm\_Berko

Dear Mr. Berko: A good friend recently bought 1,000 shares of CytRx Corp. because of a pending medical discovery that might be effective against amyotrophic lateral sclerosis (ALS) and diabetes. It's too complicated to detail in print, but I'd like your thoughts on purchasing 1,000 shares. It's a cheap stock and trades at \$3.96 a share. But my major question is about my daughter's account at Wachovia. She was told in February of this year to buy 500 shares of Beazer Homes when Wachovia's research recommended the stock at \$45. She did and it's now \$37.47 and she's down eight points, or \$3,765. I think she should sue Wachovia for two reasons: The housing industry was in awful shape when the Beazer recommendation was issued and when the stock started falling Wachovia never issued a sell recommendation. This is certainly irresponsible on their part and a breach of fiduciary responsibility to their investors.

D.N.

Bethlehem, Pa.

Dear D.N.: Wall Street's research (that which is given to the public) isn't worth three pigs in a poke, a plugged nickel or a tinker's damn! Wachovia is a super bank if you have a checking account or need to borrow a few grand, but you're an uncool fool if you rely on its February 2007 Beazer Homes recommendation when the beleaguered builder was trading at \$45.

Beazer Homes USA Inc. (BZH-\$37.47) is down eight points and Wachovia refused to issue a "sell" when it broke through \$40 and steadfastly refused to recommend a "sell." In fact, I doubt if Wachovia ever issued a "sell" report. So now you're out at least \$3,765 on a \$22,500 investment, or 19 percent.

"Sell" recommendations are anathema to Wall Street research. JMP Securities upgraded Standard Pacific Homes last February to "out-perform" when it was trading at \$29 and SPF is now poking below \$22. And so far the word "sell" is not in JMP's vocabulary. Goldman Sachs and Bank of America proudly recommended Hovnanian Enterprises earlier this year in the mid-\$30s and HOV is now \$26. As HOV continues to fall, both resolutely refuse to issue a "sell" recommendation.

The big boys on the Street told us to buy Centex Homes this year at \$58, Lennar at \$53 and KB Homes at \$56. Today those issues are \$49, \$47 and \$48, respectively. Recognizing the enormous slowdown in the housing industry, it's confounding to the average schnook that Goldman, Credit Suisse, Wachovia, Bank of America, JMP, Deutsche Securities, Merrill, Oppenheimer or Smith Barney have also failed to issue a "sell" signal on these issues.

I understand how you feel but you have a better chance of suing Alan Greenspan for his complicity in the market crash of 2001 to 2003 than suing Wachovia to recover that Beazer Homes loss. It is said that much of Wall Street research is corrupt and it's said that the New York Stock Exchange regulators may have been asked to turn a blind eye. I believe this is the case because several folks at the Big Board have privately discussed this with me. I guess it's an open secret that only the most egregious violations get attention.

So "quitcher grouchin" and get real 'cause you got legally mulcted like multiples of thousands of other investors. Good information and bad information is a Wall Street game that reminds me of the famous comment by investor William R. Travers while visiting Newport in the late 19th century. After the yachts of this and that wealthy stockbroker had been pointed out to him he smiled and stammered: "W-w-where are the customers' yachts?" Oh, well!

CytRx Corp. (CYTR-\$3.96) is a \$1 million-plus revenue bioresearch firm that is in the process of developing small molecule therapeutics to target diabetes, ALS (Lou Gehrig's disease) and obesity. The stock was trading at \$1.50 in mid-February and ran up to \$5.60 when investors learned of CYTR's ribonucleic acid interference technology (RNAi). It seems that this unique application of RNAi disrupts and may silence genes that promote obesity, diabetes and ALS. If human testing, which is to begin in 12 months or so, proves successful, CYTR could triple.

Dr. Craig Mello, who co-discovered RNAi in 1998 and received a Nobel Prize in 2006, joined the CYTR board in January. I think the stock is a gross speculation but a reasonably good gross 18-month speculation. And if you can afford to risk \$4,000, I've no objections to your purchase of 1,000 shares.

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