11 05 2009 Meglio ridurre le posizioni al rialzo sui Bancari USA

In the past month, Bank of America Corp.'s stock gained 101 percent and American Express Co. shares rose 80 percent. These were the biggest gainers in the Dow Jones Industrial Average, followed by Citigroup Inc., up about 50 percent.

If you own these stocks, I suggest you reduce your holding or sell outright. These three turnaround situations look shaky.

American Express earned $2 a share or more yearly from 2002 through 2008. It will earn well under $1 a share this year, analysts say.

My fear is that for Amex, crummy is the new normal. American consumers have gone through the wringer. As they slowly start to come out the other side, they will be using less plastic, not more.

Then too, I doubt that merchants will welcome the American Express card with much enthusiasm at a time when they are trying to get back on their feet. Amex generally takes a bigger bite out of a merchant's gross receipts than Visa and MasterCard do.

For 2010, analysts project that American Express will earn about $1.10 a share. At today's price of $28.40, American Express sells for 26 times next year's estimated earnings -- too rich for my blood.

Like many financial companies, American Express routinely relies on leverage, or borrowed funds. Its debt as of Dec. 31 was 583 percent of stockholders' equity. That figure is well above average, even for a financial company.

Bear Stearns Lesson

Some might say borrowing by financial companies is par for the course. My view of debt held by financial companies has become less benign since I lost a slice of my own and clients' money by investing in Bear Stearns Cos. in early 2008. Bank of America's biggest problem is that it will need to raise $34 billion in new capital as a result of the stress test recently administered to the 19 largest U.S. banks by federal regulators.

I believe that roughly half of the extra capital will be raised through a stock offering. That means dilution for current shareholders, who are already looking at thin profit margins. Bank of America's pretax margin shrank to 3.9 percent in 2008, down from 17.5 percent in 2007 and 27.5 percent the year before.

Will Bank of America recover? I believe it will. But I think it will struggle for another year or two while untangling the knotty problems it inherited through the acquisitions of Merrill Lynch & Co. early this year and Countrywide Financial Corp. last year.

Citigroup's Losses

Citigroup lost about $5 to $6 a share last year, depending on the accounting method you use. Analysts expect a loss of more than 60 cents a share this year.

Only four of 17 analysts who cover Citigroup recommend it, and this is one of those (I hope rare) times when I side with the majority. Whatever profits Citigroup earns over the next few years will end up being shared with the federal government.

Uncle Sam's stake in the company will soon be 36 percent after pumping in $52 billion to rescue it from potential collapse.

My feeling is that these three big financial stocks have limited prospects for the rest of 2009.

Instead, there are Dow stocks that have moved less that I think offer better value. Exxon

Mobil, the Irving, Texas-based colossus of the oilfield, sells for only 10 times earnings and less than one times revenue, making it look like a timely purchase.

I believe in the theory, popularized by Matt Simmons in his book “Twilight in the Desert” (2006), that Saudi Arabia has less oil than is widely supposed. I also believe that the recent reduction in driving and energy use will be transitory.

Walt Disney Co., based in Burbank, California, owns theme parks, movie studios, ABC television network, the Disney Channel and toy outlets that sell Disney-related items. I think that its growth, stalled for the past year, will resume as the economy thaws. The stock sells for less than 14 times earnings.

United Technologies Corp., with headquarters in Hartford, Connecticut, makes aircraft engines, elevators, air conditioning equipment, helicopters and a variety of other military and civilian goods. In the past five years it has increased sales at almost a 14 percent clip, and earnings at close to 15 percent. I consider it a value at 11 times earnings.