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Market Review

**Utilities versus Dow Industrials
 Comparative Market Performance**

Column	(1)	(2)	(3)	(4)	(5)	(6)
		Price				
		5/26 Intraday	YTD %	3-mos %	6-mos %	1-yr %
S&P 500	SPX	906	0	18	6	(34)
Phil. Index	UTY	354	(11)	(0)	(11)	(34)
SPDR	XLU	26	(9)	2	(11)	(36)
Dow Ind.	INDU	8448	(4)	16	(0)	(32)

Performance to Date

Utilities shares lagged the market, as measured by the S&P 500 and the Dow Jones Industrials, year to date. The 30 Dow Jones Industrial average declined 4%, while utilities dropped 11% as per the Philadelphia 22 Electric Stock Index. Industrials were led by American Express (AXP-Not Rated), increasing 31%, followed by gains of 25% for IBM (Not Rated), 13% for JP Morgan (JPM-Not Rated), 11% for DuPont (DD-Not Rated), and 8% for Disney (DIS-Not Rated). If there's a trend in the utilities group, it's not obvious. The best performer was Williams Cos. (WMB-Not Rated), rising 11%, perhaps in anticipation of higher natural gas prices. Public Service Enterprises (PEG-Not Rated) gained 9%. PEG is a conservative and well run electric and gas system that should attract risk averse investors. FPL Group (FPL-Hold), which also increased 9%, is a beneficiary of "Uncle Sam's" largess in subsidizing Wind generation (Production Tax Credits and Investment Tax Credits) and Solar (Investment Tax Credits). AES Corporation (AES- Not Rated), an independent power producer, posted a 7% increase, not much of a boost considering that AES shares are down 53% over the trailing 12-months.

This review compares year to date performance of the 30 components in the Dow Jones Industrials and the 15 Dow Utilities according to: 1) five best and worst price changes (Tables 1 & 2), and 2) prices changes of the most and least recommended (Tables 3 & 4). Analysts' bias is the percentage of buy/outperform recommendations to total recommendations. Tables 5 and 6 list the components of the Dow Jones Industrials (Table 5) and the Dow Jones Utilities (Table 6), consensus 2009 and 2010 earnings estimates, analysts' bias, dividends, yields and market capitalization.

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Table 1
Industrials & Utilities
5-Best Performers Year to Date

Column		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
5-Best YTD		Price	Ytd	EPS	EPS	P/E	P/E	Div.	Yld.	Bias
Industrials	SYM	5/26	%	2009C	2010C	2009	2010	PS	%	%
Amer. Exp.	AXP	24	31	0.85	1.24	28.5	19.5	0.72	3.0	17
IBM	IBM	105	25	9.11	9.96	11.5	10.6	2.20	2.1	71
JP Morgan	JPM	36	13	1.52	2.74	23.5	13.0	0.20	0.6	61
DuPont	DD	28	11	1.76	2.09	16.0	13.5	1.64	5.8	41
Disney	DIS	24	8	1.69	1.88	14.5	13.0	0.35	1.4	45
Average		44		2.99	3.58	14.6	12.1	1.02	2.3	
Utilities										
Williams	WMB	16	11	0.76	1.06	21.1	15.1	0.44	2.7	82
PS Ent.	PEG	32	9	3.12	3.18	10.2	10.0	1.33	4.2	62
FPL Group	FPL	55	9	4.23	4.78	12.9	11.4	1.89	3.5	55
AES Corp.	AES	9	7	1.05	1.15	8.4	7.7	0.00	0.0	71
NiSource	NI	11	(2)	1.05	1.10	10.3	9.8	0.92	8.5	18
Average		24		2.04	2.25	12.0	10.8	0.92	3.8	

Source: Consensus Bloomberg Financial Service

Worst Performers

The Industrials' worst performer was General Motors (GM-Not Rated-minus 61%), whose fate (bankruptcy) should be decided shortly. Other poor performers include CitiGroup (C-Not Rated-minus 44%) and Bank of America (BAC-Not Rated-minus 22%). The Dow Utilities' steepest decline was posted by Southern Co (SO-Hold-minus 24%), trailed closely by American Electric Power (AEP-Hold-minus 22%). Both Southern and AEP, along with Duke Energy (DUK-Hold) have significant rate exposure should Congress adopt climate legislation and auction emission credits. Exelon Corp. (EXC-Buy), primarily a commodity-based nuclear generator, posted a year-to-date 15% price drop. Lower natural gas prices forced analysts, with management guidance; to pare 2011 earnings forecasts from \$6.00-plus a share to the \$4.50 a share area.

Table 2
Industrials & Utilities
5-Poorest Performers Year to Date

Column		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
5-Worst YTD		Price	Ytd	EPS	EPS	P/E	P/E	Div.	Yld.	Bias
Industrials	SYM	5/26	%	2009C	2010C	2009	2010	PS	%	%
GM	GM	1	(61)	-30.21	-8.03	0.0	-0.2	0.00	0.0	0
Citi	C	4	(44)	-0.62	-0.01	-6.0	-314.2	0.00	0.0	18
Bank Amer.	BAC	11	(22)	0.59	1.20	18.6	9.1	0.04	0.4	52
Caterpillar	CAT	35	(21)	1.19	1.59	29.7	22.2	1.68	4.8	32
Alcoa	AA	9	(19)	-1.00	0.39	-9.2	23.5	0.12	1.3	29
Average		12		-6.01	-0.97	-2.0	-12.4	0.37	3.0	
Utilities										
Southern	SO	28	(24)	2.39	2.52	11.7	11.1	1.75	6.2	24
Amer Elect.	AEP	26	(22)	2.83	3.02	9.1	8.6	1.64	6.3	71
First Engy	FE	38	(22)	3.81	3.52	9.9	10.7	2.20	5.8	33
CentPt	CNP	10	(20)	1.10	1.21	9.1	8.3	0.76	7.6	67
Exelon	EXC	47	(15)	4.13	4.02	11.5	11.8	2.10	4.4	75
Average		30		2.85	2.86	10.5	10.4	1.69	5.7	

Source: Consensus Bloomberg Financial Service

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Most Recommended

Hewlett Packard (HPQ-Not Rated) has the highest favorability percentage rating (85% - 28 buys - 5 holds) among the Dow Industrials. Other highly recommended companies look like a "who's who" of defensive investment: Coke (KO-Not Rated), Walmart (WMT-Not Rated), Pfizer (PFE-Not Rated) and Johnson & Johnson (JNJ-Not Rated). Coke was the lone outperformer at plus 4% versus the Dow Jones average of minus 4%. In the utilities sector, Williams Cos.' 11% increase far outpaced the 11% decline registered by the Philadelphia Index. AES Corp increased 7% but that rebound is overshadowed by a 12-month decline of 53%.

Table 3
Industrials & Utilities
5-Most Recommended

Column		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
5-Most		Price	Ytd	EPS	EPS	P/E	P/E	Div.	Yld.	Bias
Industrials	SYM	5/26	%	2009C	2010C	2009	2010	PS	%	%
Hewlett-Pack.	HPQ	35	(4)	3.74	4.10	9.3	8.5	0.32	0.9	85
Coke	KO	47	4	3.04	3.33	15.5	14.2	1.64	3.5	76
Walmart	WMT	50	(10)	3.55	3.88	14.2	13.0	1.09	2.2	76
Pfizer	PFE	15	(15)	1.95	2.25	7.7	6.7	0.64	4.3	75
JNJ	JNJ	55	(8)	4.50	4.87	12.3	11.3	1.96	3.6	74
Average		41		3.35	3.69	12.1	11.0	1.13	2.8	
Utilities										
Williams	WMB	16	11	0.76	1.06	21.1	15.1	0.44	2.7	82
Exelon	EXC	47	(15)	4.13	4.02	11.5	11.8	2.10	4.4	75
AES Corp.	AES	9	7	1.05	1.15	8.4	7.7	0.00	0.0	71
Amer. Elect.	AEP	26	(22)	2.83	3.02	9.1	8.6	1.64	6.3	71
CentPt	CNP	10	(20)	1.10	1.21	9.1	8.3	0.76	7.6	67
Average		22		1.97	2.09	11.0	10.3	0.99	4.6	

Note: Highlighted numbers indicate outperformance. Consensus numbers - Bloomberg

Least Recommended

Nobody likes General Motors. Not a whole lot of analysts like American Express, but it is the only one among the five to outperform the Dow Industrials year to date, rising 31% compared to a 4% drop for the average. In the utilities sector, three of the five outperformed the Philadelphia Index decline of 11%, Con Edison (ED-Hold-minus 9%), NiSource (NI-Not Rated-minus 2%) and Duke Energy (minus 8%).

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Table 4
Industrials & Utilities
5-Least Recommended

Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
5-Least Industrials	Price 5/26	Ytd %	EPS 2009C	EPS 2010C	P/E 2009	P/E 2010	Div. PS	Yld. %	Bias %	
GM	GM	1	(61)	-30.21	-8.03	0.0	-0.2	0.00	0.0	0
Amer. Exp.	AXP	24	31	0.85	1.24	28.5	19.5	0.72	3.0	17
Citi	C	4	(44)	-0.62	-0.01	-6.0	-314.2	0.00	0.0	18
GE	GE	13	(17)	1.00	0.94	13.5	14.2	0.40	3.0	22
Alcoa	AA	9	(19)	-1.00	0.39	-9.2	23.5	0.12	1.3	29
Average		10		-6.00	-1.09	-1.7	-9.5	0.25	2.4	
Utilities										
Con. Ed	ED	36	(9)	3.16	3.32	11.3	10.7	2.36	6.6	14
NiSource	NI	11	(2)	1.05	1.10	10.3	9.8	0.92	8.5	18
Southern	SO	28	(24)	2.39	2.52	11.7	11.1	1.75	6.2	24
Dominion	D	31	(12)	3.23	3.28	9.7	9.6	1.75	5.6	25
Duke	DUK	14	(8)	1.21	1.30	11.4	10.6	0.92	6.6	25
Average		24		2.21	2.30	10.8	10.4	1.54	6.4	

Note: Highlighted numbers indicate outperformance. Consensus numbers - Bloomberg

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Table 5
Dow Jones Industrials
Comparative Market Data

Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Company	SYM	Price 5/26	Ytd %	1-yr %	EPS 2009C	EPS 2010C	Bias %	Mkt. Val. \$bil	P/E 2009	P/E 2010	Div. PS	Yield %	Shares Bil.
3-M	MMM	58	1	(24)	3.85	4.26	58	40	15.0	13.6	2.04	3.5	0.69
Alcoa	AA	9	(19)	(77)	-1.00	0.39	29	9	-9.2	23.5	0.12	1.3	0.97
Amer. Exp.	AXP	24	31	(47)	0.85	1.24	17	28	28.5	19.5	0.72	3.0	1.17
AT&T	T	24	(14)	(37)	2.08	2.27	68	144	11.8	10.7	1.64	6.7	5.90
B of A.	BAC	11	(22)	(68)	0.59	1.20	52	84	18.6	9.1	0.04	0.4	7.65
Boeing	BA	44	2	(46)	4.61	4.49	30	32	9.5	9.7	1.68	3.8	0.73
Caterpillar	CAT	35	(21)	(57)	1.19	1.59	32	21	29.7	22.2	1.68	4.8	0.60
Chevron	CVX	65	(12)	(36)	4.37	7.09	56	130	14.9	9.2	2.60	4.0	2.00
Citi	C	4	(44)	(82)	-0.62	-0.01	18	21	-6.0	-314.2	0.00	0.0	5.51
Coke	KO	47	4	(20)	3.04	3.33	76	109	15.5	14.2	1.64	3.5	2.31
Disney	DIS	24	8	(26)	1.69	1.88	45	45	14.5	13.0	0.35	1.4	1.86
DuPont	DD	28	11	(41)	1.76	2.09	41	25	16.0	13.5	1.64	5.8	0.90
Exxon	XOM	69	(13)	(24)	3.93	5.80	47	338	17.6	12.0	1.68	2.4	4.88
GE	GE	13	(17)	(56)	1.00	0.94	22	142	13.5	14.2	0.40	3.0	10.59
GM	GM	1	(61)	(93)	-30.21	-8.03	0	1	0.0	-0.2	0.00	0.00	0.61
Hewl.-Pack	HPQ	35	(4)	(22)	3.74	4.10	85	84	9.3	8.5	0.32	0.9	2.40
Hm. Depot	HD	24	3	(11)	1.40	1.55	48	40	17.0	15.3	0.90	3.8	1.70
IBM	IBM	105	25	(15)	9.11	9.96	71	139	11.5	10.6	2.20	2.1	1.32
Intel	INTC	15	6	(34)	0.55	0.87	63	87	28.4	17.8	0.56	3.6	5.59
JNJ	JNJ	55	(8)	(15)	4.50	4.87	74	152	12.3	11.3	1.96	3.6	2.76
JP Morgan	JPM	36	13	(16)	1.52	2.74	61	134	23.5	13.0	0.20	0.6	3.76
Kraft	KFT	26	(5)	(20)	1.91	2.06	41	38	13.4	12.4	1.16	4.5	1.47
McDonalds	MCD	58	(6)	1	3.81	4.17	60	64	15.3	14.0	2.00	3.4	1.10
Merck	MRK	26	(13)	(32)	3.23	3.43	50	56	8.2	7.7	1.52	5.8	2.11
Microsoft	MSFT	20	4	(28)	1.71	1.83	74	180	11.8	11.1	0.52	2.6	8.90
P&G	PG	54	(13)	(17)	3.66	3.93	45	157	14.8	13.7	1.76	3.3	2.91
Pfizer	PFE	15	(15)	(23)	1.95	2.25	75	101	7.7	6.7	0.64	4.3	6.75
Utd. Tech.	UTX	53	(2)	(25)	4.07	4.43	74	50	12.9	11.9	1.54	2.9	0.94
Verizon	VZ	30	(13)	(20)	2.54	2.69	55	84	11.7	11.0	1.84	6.2	2.84
Walmart	WMT	50	(10)	(9)	3.55	3.88	76	197	14.2	13.0	1.09	2.2	3.91
Average		35	(4)	(31)	1.48	2.71	71	91	23.9	13.0	1.15	3.2	3.16

Source: Bloomberg Financial Service

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Table 6
Dow Jones Utilities
Comparative Market Data

Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Company	SYM	Price 5/26	Ytd %	1-yr %	EPS 2009C	EPS 2010C	Bias %	Mkt. Val. \$-bil	P/E 2009	P/E 2010	Div. PS	Yid. %	Shs Bil.
AEP	AEP	26	(22)	(39)	2.83	3.02	71	1.2	9.1	8.6	1.64	6.34	0.5
AES	AES	9	7	(53)	1.05	1.15	71	0.6	8.4	7.7	0.00	0.00	0.7
CentPt	CNP	10	(20)	(38)	1.10	1.21	67	0.4	9.1	8.3	0.76	7.56	0.3
Con. Ed	ED	36	(9)	(13)	3.16	3.32	14	1.0	11.3	10.7	2.36	6.64	0.3
Dominion	D	31	(12)	(31)	3.23	3.28	25	1.9	9.7	9.6	1.75	5.56	0.6
Duke	DUK	14	(8)	(24)	1.21	1.30	25	1.8	11.4	10.6	0.92	6.64	1.3
Ed. Int'l.	EIX	29	(9)	(44)	3.05	3.52	50	0.9	9.6	8.3	1.24	4.25	0.3
Exelon	EXC	47	(15)	(46)	4.13	4.02	75	3.1	11.5	11.8	2.10	4.43	0.7
First Egy.	FE	38	(22)	(51)	3.81	3.52	33	1.2	9.9	10.7	2.20	5.82	0.3
FPL Gr.	FPL	55	9	(17)	4.23	4.78	55	2.2	12.9	11.4	1.89	3.46	0.4
NiSource	NI	11	(2)	(39)	1.05	1.10	18	0.3	10.3	9.8	0.92	8.52	0.3
PG&E	PCG	36	(7)	(8)	3.18	3.41	56	1.3	11.4	10.6	1.68	4.65	0.4
PS Ent.	PEG	32	9	(26)	3.12	3.18	62	1.6	10.2	10.0	1.33	4.18	0.5
Southern	SO	28	(24)	(22)	2.39	2.52	24	2.2	11.7	11.1	1.75	6.25	0.8
Williams	WMB	16	11	(58)	0.76	1.06	82	0.9	21.1	15.1	0.44	2.74	0.6
Average		28	(9)	(35)	2.55	2.69	47	1.5	10.9	10.3	1.40	5.03	0.5

Source: Bloomberg Financial Service

Analyst's Certification

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Market Perform & Hold Total return is expected to equal the average total return of the analyst's industry coverage universe over the next 12 months.

Sell Total return is expected to significantly under perform (15% plus) the total return of the industry coverage universe over the next 12 months.

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		% Investment Banking
Buy	15%	0%
Hold	85%	0%
Sell	0%	0%

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