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Utilities Performance Recap S&P versus the Dow Jones Industrials

Comparative Market Profile

Utilities (XLU) may have outperformed over the past 12 months, but telling investors that their loss was 29% compared to 34% for the S&P 500 and 30% for the Dow Jones Industrials, isn't a recipe for a long career. This recap in Tables 4 and 5 lists the components of both the Dow Jones Industrials and the SPDR (XLU) utilities. We compare price changes of both indices on a year to date, 3-months, 6-months and 12-months basis. Consensus 2009 earnings estimates, except when highlighted, and analyst biases (buy/outperform ratings as percentage of total recommendations) are based on Bloomberg Financial Service.

Comparative Market Performances Utilities versus S&P and Dow Jones

Column	(1)	(2)	(3)	(4)	(5)	(6)
		Price				
Intraday		1/6	YTD	3-mos	6-mos	1-yr
			%	%	%	%
S&P 500	SPX	933	3	(12)	(26)	(34)
Phila Index	UTY	413	4	(0)	(23)	(27)
SPDR	XLU	30	3	(2)	(26)	(29)
Dow Ind.	INDU	8,986	2	(10)	(20)	(30)

Consensus earnings are (as is typical) a lagging indicator. Based on consensus forecasts in Table 4, page 5, the average un-weighted Dow Jones component is expected to increase earnings by 5% in 2009 from \$2.48 to \$2.60 a share. Utilities profits (Table 5, page 6), also un-weighted, are projected to rise by 4% from \$2.73 to \$2.85 a share. Both 2008 and 2009 estimates will be pared significantly during the "soon upon us" reporting season. The current un-weighted 2009 price/earnings ratios for the Dow & S&P Utilities work out to 8.6 and 11.5 times, respectively.

Performance - 3-Months

Table 1 lists the 5 best and worst performers of the Dow and the XLU for the latest 3 months along with analysts' biases. Winners for the Dow were led by McDonald's (MCD – not rated – 12%), followed by Home Depot (HD – not rated – 9%) and Verizon (VZ – not rated – 6%). Utilities performance was led by Questar (STR – not rated – 24%). Poor performing Dow components include Citigroup (C – not rated – minus 58%), B of A (BAC – not rated – minus 55%) and General Motors (GM – not rated – minus 55%). In the regulated sector, Nicor (GAS – not rated) dropped 24%, followed by NiSource (NI – not rated – minus 21%) and PEPCO Holdings (POM – not rated – minus 16%).

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Table 1
Dow versus XLU
Best & Worst
Comparative Market Performance
3 Months

Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
3-Mos Price	Dow				XLU				
Company	1/6				Company	1/6			
Best	Intra	%	Bias		Best	Intra	%	Bias	
McDonald's	MCD	64	12	53	Questar	STR	37	24	79
Home Depot	HD	25	9	41	Allegheny	AYE	36	22	100
Verizon	VZ	32	6	56	FPL	FPL	52	16	58
Exxon	XOM	81	5	75	PG&E	PCG	38	7	63
AT&T	T	28	4	64	AES Corp	AES	9	6	67
Worst					Worst				
Citi	C	7	(58)	33	Nicor	GAS	34	(24)	13
Bank of America	BAC	14	(55)	48	NiSource	NI	11	(21)	20
General Motors	GM	4	(55)	0	PEPCO	POM	18	(16)	60
Alcoa	AA	12	(34)	35	Teco	TE	13	(13)	41
American Exp.	AXP	20	(32)	17	First Energy	FE	51	(10)	77

Performance - 12-Months

For the trailing 12-months, the Dow was led by the "classic" defensive play McDonald's (11%), followed by Home Depot (10%) and Pfizer (PFE – not rated – 2%). Regulated stocks followed a similar pattern as out-performers included Southern Co. (SO – Hold – minus 6%) and Wisconsin Energy (WEC – not rated – minus 10%).

The Dow's worst performers were Alcoa (AA – not rated - minus 63%), General Motors (minus 62%), Citigroup (minus 56%) and American Express (AXP – not rated – minus 49%). The Utilities' worst underperformer was Constellation Energy (CEG – Hold – minus 74%), which managed to avert bankruptcy, agree to be acquired by MidAmerican Energy Holdings and eventually accept a joint venture with Electricité de France, all in a few months. Declining energy prices also contributed to the performances of Dynegy (DYN – not rated – minus 65%) and AES Corp. (AES – not rated – minus 56%).

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Table 2
Dow versus XLU
Best & Worst
Comparative Market Performance
12-Months

Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
12-Mos Price	Dow				XLU				
Company	1/6				Company	1/6			
Best	Intra	%	Bias		Best	Intra	%	Bias	
McDonald's	MCD	64	11	53	Southern	SO	36	(6)	29
Home Depot	HD	25	10	41	Wisc. Egy	WEC	43	(10)	46
Pfizer	PFE	18	2	48	Integrays	TEG	44	(12)	57
Wal Mart	WMT	56	(1)	74	PG&E	PCG	38	(12)	63
Procter & Gamble	PG	62	(2)	52	Scana	SCG	36	(13)	33
Worst					Worst				
Alcoa	AA	12	(63)	35	Constellation	CEG	26	(74)	23
General Motors	GM	4	(62)	0	Dynegy	DYN	3	(65)	62
Citi	C	7	(56)	33	AES Corp	AES	9	(56)	67
American Exp.	AXP	20	(49)	17	Allegheny	AYE	36	(43)	100
General Elect.	GE	17	(38)	32	NiSource	NI	11	(40)	20

Loved & Unloved

Table 3 sorts the Dow and XLU by analysts' biases, or the percentage of buy/outperform ratings to total recommendations. Companies most recommended in the Dow are United Technologies (UTX – not rated – 78%), Coke (KO – not rated – 76%), Exxon Mobil (XOM – not rated – 75%), Wal Mart (WMT – not rated – 74%) and IBM (IBM – not rated – 73%). Favorites among the XLU include CMS Energy (CMS – Hold – 85%), Questar (79%), First Energy (FE – not rated – 77%), and Exelon (EXC – Hold – 73%). Least loved in the Dow are GM (0%) and American Express (17%). Con Edison (ED – Hold) leads the least loved in the utility sector with a bias of 7%.

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Table 3
Dow versus XLU
Comparative Analysts' Biases
Highest/Lowest

Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Company Most Loved	Dow					XLU					
	1/6 Intra	3-mos %	12-mos %	Bias %	Company Most Loved	1/6 Intra	3-mos %	12-mos %	Bias %		
United Tech.	UTX	54	3	(11)	78	Allegheny	AYE	36	22	(43)	100
Coke	KO	46	(11)	(12)	76	CMS	CMS	11	(1)	(36)	85
Exxon	XOM	81	5	(8)	75	Questar	STR	37	24	(31)	79
Wal Mart	WMT	56	(3)	(1)	74	First Engy	FE	51	(10)	(31)	77
IBM	IBM	87	(13)	(27)	73	Exelon	EXC	58	3	(29)	73
Least						Least					
GM	GM	4	(55)	(62)	0	Con. Ed.	ED	39	(8)	(18)	7
Amer Exp.	AXP	20	(32)	(49)	17	Pinnacle	PNW	33	(0)	(19)	9
GE	GE	17	(23)	(38)	32	Ameren	AEE	34	(5)	(36)	11
Citi	C	7	(58)	(56)	33	DTE Engy	DTE	36	(3)	(16)	11
Alcoa	AA	12	(34)	(63)	35	Nicor	GAS	34	(24)	(17)	13

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Table 4
Dow Jones Industrials
Market Performance & Earnings

Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Company	SYM	Intraday 1/6	ytd	Price 3-mos	6-mos	1-Yr	Bias %	Mkt. Val. \$-bil	EPS 2009	P/E 2009	Div PS	Yield %
3-M	MMM	59	3	(6)	(15)	(15)	63	41	4.67	12.7	2.00	3.4
Alcoa	AA	12	7	(34)	(63)	(63)	35	10	0.37	32.7	0.68	5.7
Amer. Exp.	AXP	20	10	(32)	(49)	(49)	17	24	1.94	10.5	0.72	3.5
AT&T	T	28	(2)	4	(14)	(14)	64	165	2.83	9.9	1.64	5.8
B of A	BAC	14	2	(55)	(36)	(36)	48	92	1.92	7.5	1.28	8.9
Boeing	BA	46	8	(10)	(28)	(28)	50	34	5.81	7.9	1.68	3.6
Caterpillar	CAT	46	2	(7)	(35)	(35)	35	28	4.37	10.5	1.68	3.7
Chevron	CVX	77	5	1	(22)	(22)	57	157	7.11	10.9	2.60	3.4
Citi	C	7	9	(58)	(56)	(56)	33	40	(0.08)	-92.9	0.64	8.7
Coke	KO	46	1	(11)	(12)	(12)	76	105	3.28	13.9	1.52	3.3
Disney	DIS	24	6	(15)	(22)	(22)	48	44	2.32	10.3	0.35	1.5
DuPont	DD	27	6	(29)	(36)	(36)	47	24	2.41	11.1	1.64	6.1
Exxon	XOM	81	2	5	(8)	(8)	75	414	6.42	12.7	1.60	2.0
GE	GE	17	2	(23)	(38)	(38)	32	174	1.38	12.0	1.24	7.5
GM	GM	4	19	(55)	(62)	(62)	0	2	(18.45)	-0.2		
Home Depot	HD	25	8	9	10	10	41	42	1.48	16.8	0.90	3.6
HP	HPQ	37	3	(9)	(14)	(14)	70	90	4.15	9.0	0.32	0.9
IBM	IBM	87	4	(13)	(27)	(27)	73	117	8.91	9.8	2.00	2.3
Intel	INTC	15	4	(10)	(26)	(26)	62	85	0.82	18.6	0.56	3.7
Johnson	JNJ	60	(0)	(8)	(8)	(8)	71	165	4.64	12.9	1.84	3.1
JP Morgan	JPM	30	(4)	(32)	(15)	(15)	61	112	2.42	12.5	1.52	5.0
Kraft	KFT	28	3	(13)	(4)	(4)	40	41	2.02	13.8	1.16	4.2
McDonald's	MCD	64	3	12	11	11	53	71	3.83	16.7	2.00	3.1
Merck	MRK	30	(1)	0	(22)	(22)	39	64	3.27	9.2	1.52	5.1
Microsoft	MSFT	21	7	(16)	(20)	(20)	70	185	2.22	9.4	0.52	2.5
P&G	PG	62	1	(9)	(2)	(2)	52	186	4.18	14.9	1.60	2.6
Pfizer	PFE	18	2	(5)	2	2	48	122	2.50	7.2	1.28	7.1
United Tech.	UTX	54	1	3	(11)	(11)	78	52	4.81	11.3	1.54	2.8
Verizon	VZ	32	(6)	6	(11)	(11)	56	90	2.68	11.9	1.84	5.8
Wal Mart	WMT	56	(0)	(3)	(1)	(1)	74	219	3.71	15.1	0.95	1.7
Average		38	3	(27)	(19)	(19)	53		2.60	8.6	1.29	3.4

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Table 5
SPDR Utilities
Market Performance & Earnings

Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Company	SYM	Intraday 1/6	ytd	Price 3-mos	6-mos	1-Yr	Bias %	Mkt Val. \$bil	EPS 2009c	P/E 2009c	Div. PS	Yield %
AEP	AEP	34	1	(2)	(15)	(27)	53	13	3.30	10.2	1.64	4.9
AES Corp	AES	9	14	6	(50)	(56)	67	6	1.12	8.4		0.0
Allegheny	AYE	36	5	22	(29)	(43)	100	6	3.21	11.1	0.60	1.7
Ameren	AEE	34	1	(5)	(20)	(36)	11	7	2.90	11.6	2.54	7.5
CenterPoint	CNP	13	3	3	(18)	(21)	71	4	1.30	10.0	0.73	5.6
CMS	CMS	11	8	(1)	(24)	(36)	85	2	1.26	8.7	0.36	3.3
Con. Edison	ED	39	1	(8)	3	(18)	7	10	3.05	12.8	2.34	6.0
Constellation	CEG	26	5	(2)	(68)	(74)	23	5	3.00	8.8	1.91	7.2
Dominion	D	36	2	(9)	(22)	(22)	22	24	3.28	11.1	1.75	4.8
DTE Energy	DTE	36	2	(3)	(15)	(16)	11	6	3.29	11.0	2.12	5.8
Duke	DUK	16	4	(9)	(9)	(21)	20	20	1.28	12.2	0.92	5.9
Dynegy	DYN	3	26	(6)	(69)	(65)	62	2	0.11	23.5		
Edison Intl.	EIX	34	5	(9)	(35)	(37)	62	11	4.16	8.1	1.24	3.7
Entergy	ETR	85	3	3	(29)	(28)	69	17	7.63	11.2	3.00	3.5
Exelon	EXC	58	4	3	(36)	(29)	73	39	4.22	13.7	2.10	3.6
First Energy	FE	51	5	(10)	(38)	(31)	77	16	4.79	10.7	2.20	4.3
FPL	FPL	52	3	16	(20)	(24)	58	21	4.10	12.7	1.78	3.4
Integrus	TEG	44	3	(5)	(12)	(12)	57	3	4.02	11.1	2.68	6.0
Nicor	GAS	34	(1)	(24)	(19)	(17)	13	2	2.56	13.4	1.86	5.4
NiSource	NI	11	2	(21)	(37)	(40)	20	3	1.22	9.2	0.92	8.2
PEPCO	POM	18	3	(16)	(27)	(36)	60	4	1.90	9.6	1.08	5.9
PG&E	PCG	38	(1)	7	(1)	(12)	63	13	3.18	12.0	1.56	4.1
Pinnacle	PNW	33	4	(0)	9	(19)	9	3	2.60	12.8	2.10	6.3
PPL Corp	PPL	32	4	(5)	(38)	(38)	64	12	1.87	17.1	1.34	4.2
Progress	PGN	40	0	(10)	(4)	(16)	26	10	2.95	13.5	2.48	6.2
PS Ent.	PEG	31	6	4	(33)	(37)	55	16	3.08	10.0	1.29	4.2
Questar	STR	37	14	24	(46)	(31)	79	6	3.30	11.3	0.50	1.3
Scana	SCG	36	2	0	(0)	(13)	33	4	2.90	12.5	1.84	5.1
Sempra	SRE	44	4	(3)	(21)	(27)	67	11	4.35	10.2	1.40	3.2
Southern	SO	36	(2)	1	3	(6)	29	27	2.40	15.2	1.68	4.6
Teco	TE	13	3	(13)	(37)	(25)	41	3	1.27	10.0	0.80	6.3
Wis. Egy	WEC	43	2	(2)	(6)	(10)	46	5	3.11	13.7	1.35	3.2
Xcel	XEL	19	0	(0)	(7)	(16)	20	8	1.53	12.2	0.95	5.1
Average		33	2	(10)	(10)	(21)	47	12	2.85	11.5	1.55	4.7

Note: Highlighted Numbers are Shields' Estimates

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