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Market Comment

Prior Market Review - April 7, 2008

XLU Market Screens
Performance & Street Recommendations

Snap Shot

For the year to date and trailing 12-month periods, the utilities group either kept pace or, in the case of the Dow Industrials, slightly underperformed the market in general.

Table 1
Comparative Market Performance

Column	(1)	(2)	(3)	(4)	(5)	(6)
			Price			
		4/22	YTD	3-mos	6-mos	1-yr
			%	%	%	%
S&P 500	SPX	1,388	(5)	5	(7)	(6)
Philadelphia Index	UTY	539	(5)	1	2	(3)
S&P Utilities	XLU	40	(5)	1	2	(3)
Dow Industrials	INDU	12,825	(3)	6	(5)	(1)

S&P Utilities

Table 2 lists 31 companies in the S&P Utilities Index as of April 21, 2008 sorted by weighting (column 2), along with year to date, 3-month, 6-month and trailing 12-month market performances (columns 4-7), analysts biases measured as the percent of buy recommendations to total as per Bloomberg Financial Service (column 8), market value (column 9), earnings per share and price/earnings multiples based on consensus 2009 estimates (columns 10-11), and dividends and yields (columns 12-13).

Highlighted numbers reflect better than S&P price performance (columns 4-7), analysts' biases of 75% or greater (column 8), higher-than-average market values (column 9), lower than average price/earning multiples (column 11), and higher-than-average yields (column 13).

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Year to date

The S&P Utilities decline of 5% year to date contains price changes ranging from an increase of 21% for **Dynegy** (DYN-not rated) to a decline of 18% for **Nicor** (GAS-not rated). Only 8 of the 31 companies recorded better than average performance and of the 8, only 4 registered gains: **Dynegy** (21%), **Questar** (STR-17%-not rated), **Exelon** (EXC-6%-hold), and **First Energy** (FE-5%-not rated). For portfolio managers with the XLU as a bogey, it's tough to bet against Exelon with an index weighting of 12.98%, more than double Southern Co. with the next highest weighting of 6.37%.

Poorest year-to-date performances were registered by **Nicor** (minus 18%), **CMS Energy** (CMS-minus 17%-hold), **AES Corp.** (AES-minus 17%-not rated), **Ameren** (AEE-minus 16%-buy) and **Pinnacle West Capital** (PNW-minus 16%-hold).

Trailing 12-Months

For the trailing 12-months, the best performers can be characterized as having higher than average price/earnings ratios and low yields. (High yielding companies pretty much underperformed.) **Questar** leads the index (34%), followed by **Exelon** (18%), **First Energy** (11%), **PPL Corp.** (PPL-9%-hold), **FPL Group** (FPL-7%-hold) and **Allegheny Energy** (AYE-6%-not rated).

The largest 12-month decliners are **Nicor** (minus 33%), **Pinnacle West Capital** (minus 27%) **NiSource** (NI-minus 26%-not rated), **CMS Energy** (minus 23%), **AES Corp.** (minus 22%) and **PG&E Corp.** (PCG-minus 22%-not rated).

Most Loved

Table 2, Column 8 is the percentage of buy ratings to total recommendations based on Bloomberg Financial Service. Three of the most loved companies based on that percentage are among the worst year-to-date performers: **AES Corp.** (88%, minus 17%), **Allegheny Energy** (82%, minus 15%) and **CMS Energy** (79%, minus 17%). Other favorites with 75% biases include **First Energy** (plus 5% ytd), **Dynegy** (plus 21%) and **PG&E Corp.** (minus 8%).

Least Loved

For contrarian investors, least-loved companies with biases of less than 20% include **Consolidated Edison** (ED-7%-hold), **Nicor** (13%), **Xcel Corp.** (XEL-15%-hold), **Pinnacle West Capital** (17%), **Progress Energy** (PGN-17%-hold), and **Ameren** (18%).

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Table 2
S&P Utilities
(Sorted by Weightings)

Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Company	sym	Weight 4/19	4/21	Ytd	Price 3-mos	6-mos	1-Yr	Bias %	Mkt Val \$ Bil	EPS 2009c	P/E 2009c	Div. PS	Yield %
Exelon	exc	12.98	86	6	14	15	18	61	58	4.77	18.1	2.00	2.3
Southern	so	6.37	37	(5)	(3)	4	(4)	26	28	2.44	15.0	1.61	4.4
FPL	fpl	6.10	67	(2)	5	10	7	53	26	4.25	15.7	1.78	2.7
Dominion	d	5.73	44	(8)	(1)	2	(4)	28	29	3.30	13.3	1.58	3.6
Duke	duk	5.23	18	(9)	(5)	(1)	(13)	28	23	1.35	13.5	0.88	4.8
First Energy	fe	5.21	76	5	6	16	11	75	23	5.03	15.1	2.20	2.9
Entergy	etr	4.91	114	(5)	3	2	0	56	22	7.86	14.5	3.00	2.6
PS Ent.	peg	4.81	44	(11)	(7)	(1)	(1)	45	22	3.33	13.2	1.29	2.9
PPL Corp	ppl	4.15	49	(7)	(2)	2	9	73	19	2.55	19.1	1.34	2.8
AEP Corp	aep	4.04	44	(5)	(1)	(3)	(12)	56	18	3.43	13.0	1.64	3.7
Edison Intl.	eix	3.93	53	(1)	5	(2)	2	62	17	4.33	12.2	1.22	2.3
Constellation	ceg	3.74	92	(10)	(1)	5	2	50	17	6.45	14.3	1.91	2.1
Sempra	sre	3.38	57	(8)	(1)	(2)	(12)	71	15	4.57	12.4	1.28	2.3
PG&E	pcg	3.22	40	(8)	(7)	(13)	(22)	75	14	3.21	12.3	1.56	3.9
AES Corp	aes	2.73	18	(17)	(2)	(12)	(22)	88	12	1.27	14.0		0.0
Con. Edison	ed	2.56	42	(15)	(7)	(8)	(20)	7	11	3.17	13.1	2.34	5.6
Progress	pgn	2.50	42	(14)	(9)	(7)	(18)	17	11	3.16	13.3	2.46	5.9
Questar	str	2.47	63	17	29	22	34	50	11	3.54	17.8	0.49	0.8
Ameren	aee	2.17	46	(16)	(3)	(13)	(9)	18	9	3.60	12.7	2.54	5.6
Allegheny	aye	2.09	54	(15)	(4)	(1)	6	82	9	3.42	15.9	0.60	1.1
Xcel	xel	2.05	21	(8)	(2)	(1)	(15)	15	9	1.63	12.8	0.92	4.4
DTE Energy	dte	1.58	42	(5)	(2)	(12)	(16)	20	7	3.29	12.7	2.12	5.1
CenterPoint	cnp	1.17	15	(10)	(2)	(3)	(18)	63	5	1.32	11.7	0.73	4.7
PEPCO	pom	1.17	25	(14)	(5)	(5)	(16)	67	5	2.11	12.0	1.08	4.3
NiSource	ni	1.16	18	(3)	4	(6)	(26)	20	5	1.37	13.4	0.92	5.0
Dynegy	dyn	0.97	9	21	30	2	(10)	75	6	0.30	28.6		
Integrus	teg	0.86	49	(6)	(1)	(6)	(13)	56	3	4.03	12.1	2.68	5.5
Pinnacle	pnw	0.83	36	(16)	(10)	(12)	(27)	17	4	2.68	13.4	2.10	5.9
Teco	te	0.80	17	(4)	3	5	(8)	21	3	1.24	13.4	0.78	4.7
CMS	cms	0.75	14	(17)	(9)	(10)	(23)	79	3	1.29	11.1	0.36	2.5
Nicor	gas	0.37	35	(18)	(11)	(17)	(33)	13	2	2.49	14.0	1.86	5.3
Average			44	(6)	0	(0)	(6)	46	15	3.12	14.1	1.40	3.2
Weighted				(5)	1	2	(3)						

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	17%	0%
Hold	83%	0%
Sell	0%	0%

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