MARKETBEAT

Sour Sentiment, Stalled Stocks

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4:14 p.m.: Stocks soured late in the session, with only the Dow Jones Industrial Average ending the day above the break-even point. A 1% gain in Caterpillar helped the Dow rise, despite the broader market declines. Investors remain concerned about the Federal Reserve and the possibility that several more rate increases are in the works. Trading was quiet today, as the market has hit a dead spot before the bulk of corporate earnings get going and next week's Fed confab.

Chip Hanlon, president of Delta Global Advisors in Huntington Beach, Calif., said that, despite the sharp declines in major stock indexes, sentiment remains negative -- the most recent survey from Investors' Intelligence said 38.7% of professionals identified themselves as bulls and 34.4% as bears, the largest contingent of naysayers since April 2003. "We're getting recession-type trading, with the way commodities have been pounded and because stocks can't get a move-on," Mr. Hanlon said. "The market may be going a bit overboard… it hasn't been that outlandish a pullback that you'd expect sentiment to be this extreme." The next survey is due out tomorrow, and Mr. Hanlon thinks it could show an inversion, with more bears than bulls.

Blog Roll – Afternoon Edition

3:03 p.m.: Roger Nusbaum wonders on his blog whether this is a bear market. "It is kind of tough to label what is now a single-digit correction as a bear market. There was a point last week where the S&P 500 was down double digits but that was just for a couple of hours," he wrote. "While the idea of 10% equals correction and 20% equals bear market seems too simplistic, I would not be surprised to see the market go lower, which has been my thought for this year all along."

James Picerno touts REITs on his Capital Spectator blog.
"If there's such a thing as consistency in the capital markets in the 21st century, real estate investment trusts are the standard," he wrote. "Although the asset class has had its share of frights from time to time, REITs nonetheless managed to right themselves and post gains once the dust cleared."

--David A. Gaffen

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Analyst Roundup -- Intel

2:10 p.m.: Lately a number of analysts have changed their recommendations on chip giant Intel, which provides semiconductors for personal computers, among many other products. The stock has been subject to upgrades from at least three brokerages in the past two weeks -- UBS, HSBC and Goldman Sachs -- while J.P. Morgan Chase lowered earnings estimates on the stock in the same time period. MarketBeat decided to take a look at the track record of each of these analysts when it came to Intel. For the year, the stock is one of the Dow industrials' worst performers, having lost 27% coming into today.

From Aug. 11, 2005, until June 14, Goldman's James Covello had an "in-line" rating on Intel, the middle ranking among its ratings. The stock fell 32% during that period, while the Philadelphia Stock Exchange Semiconductor Index lost 4.2%. (The S&P 500 gained 0.2% in that time.)

UBS, meanwhile, had a "buy" rating on the stock dating back to at least 2003, which it dropped to "neutral" on January 18 of this year. Since then, the stock is down 19% -- whereas the chip index is down 13.4%.

J.P. Morgan Chase, meanwhile, has had a "neutral" rating on Intel since July 20, 2005. In that time, the stock is off 34%, falling short of the sector returns. After a number of these reports came out, Citigroup released a report reaffirming its "buy" rating on the stock, but cited concerns about the potential for negative pre-announcements and weakness in the personal-computer sector. Nonetheless, analyst Glen Yeung has had a "buy" rating on the stock since March 6, in which time Intel is off 10.2%, but that's ahead of the Philly chip index, which is down 15% over that time.

--David A. Gaffen

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Gooaaaaalllll! -- Part II

1:09 p.m.: Jittery investors in overseas markets, keep your eyes on the World Cup. A study due out later this month shows that defeats in the World Cup can take a chunk out of a country's stock returns. The paper, called "Sports Sentiment and Stock Returns," showed a 0.49% average decline in surveyed nations' stock indexes the day after a loss in the elimination phase of the World Cup.

"That's a very large drop," said Diego Garcia, assistant professor of business administration at Dartmouth College. Mr. Garcia co-authored the report with Alex Edmans of the Massachusetts Institute of Technology and Oyvind Norli of the
Norwegian School of Management in Oslo. (A link to the report, to be released in the Journal of Finance on June 29, can be found here.) The study, which the Wall Street Journal mentioned in an article here, tracked market returns in 39 soccer-playing countries between 1973 and 2004.

Mr. Garcia, a citizen of Spain, says that while the results of the study may be surprising, he understands how powerful the impact of a loss in the World Cup can be. "I know how dramatic it is when Spain loses, which we always do eventually," he said. The study showed a similar market impact from big international cricket matches in countries such as India and Pakistan, where, apparently, cricket is big.

--Scott Patterson

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Market of the Living Dead

12:28 p.m.: Breakingviews.com's Antony Currie reports on "zombie stocks." "Are bankrupt-company stocks the new hot asset class? That certainly seems to be the case as some of the dons of distressed debt have taken large stakes in so-called zombie stocks. But buying bankrupt equity usually leads to pain. This looks like another sign of too much liquidity chasing sparse opportunity.

"Appaloosa Capital bought 15% of Dana and 9% of Delphi within days of the two car-parts companies filing for Chapter 11. It's now raising $1.8 billion from investors to supplement those investments. Similarly, Goldman Sachs, along hedge fund DE Shaw, snaffled up almost a fifth of bankrupt foam manufacturer Foamex." For the rest of the article, click here (subscription required).

--David A. Gaffen

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Blog Roll -- Morning Edition

11:53 a.m.: Is the Fed less predictable now than in the past? Not necessarily, says David Altig, an economist who works for the Cleveland Fed, pointing out that there were periods during Alan Greenspan's run when the Fed wasn't so easy to anticipate. "The transition periods 1994-95 and 2000-2001 -- that is the end of the last two significant northerly runs in the funds rate -- just about jump out at you," he writes. "I've said it before: You just can't know more than you can know, and it is at turning points when you know the least. It was true during the reign of Sir Greenspan. It is certainly true today."

Barry Ritholtz, a frequent critic when it comes to Microsoft, explains some of his reasoning behind his current thoughts on the software colossus. "From an investing standpoint, their fastest growth days are behind them, yet they are hardly a value stock -- yet," he writes. "The leaders of the last bull market are rarely the leaders of the next. Despite this, Wall Street still loves them, with 28 of 34 analysts rating them a 'buy' or 'strong buy.' They are widely owned by active mutual fund managers and closet Indexers. Many people think of them as this well run money machine; In reality, they are very poorly managed by a group of techno-nerds with very little in the way of management skills."