BULLS & BEARS

Volume I • Issue 22 • April 20 2008

TOP STORIES

- Oil Hits High On Militant Threats
- Search King Google Still Reigns
- JPMorgan EPS Halved, Shares Up
- IBM Q1 Jumps, Raises Outlook
- Wachovia Falls 8% On Q1 Loss
- March Retail Sales Rose 0.2%
- Blockbuster Targets Circuit City

MARKETS

DOW	12849.36, +4.3%
NASDAQ	2402.97, +4.9%
S&P 500	1390.33, +4.3%
10 YR	98 8/32, yield 3.71%
OIL	$117.00, +$6.68
EURO	$1.5792

THIS WEEKS ISSUE

MARKET SUMMARY

Monday 04/14/08
Despite the general negativity of most recent economic reports, the Commerce Department threw a curevball by announcing a 0.2% increase in retail sales. In addition, February's 0.6% decline was revised to a drop of 0.4%. Couple this with news that U.S. business inventories climbed, and the picture was looking bright as we approached the open. As is usually the case, however, an unexpected quarterly loss from Wachovia weighed down on financial stocks, and tempered any gains. News that Blockbuster offered to buyout Cirucuit City hit the street, while further weakness in the dollar sent oil and gold higher. The Dow closed 23 points int he red.

Tuesday 04/15/08
Equities news was front and center this morning, as investors digested a cut in guidance from Crocs, horrid earnings from Johnson and Johnson and a highly anticipated merger announcement from Delta and Northwest airlines. Stock jumped back an forth as a increase in the producer price index and a new record for oil held back the markets. The Dow managed to close it s volatile session up by 60 points, with 23 Dow components closing higher.

Wednesday 04/16/08
Economic data dominated the morning, highlighted by the March Consumer Price Index which gained 0.3% during the month with the core CPI adding 0.2%. These results matched consensus estimates. The Commerce Department also reported that new construction of US homes had dropped to the lowest level since 1991, and that crude inventories had unexpectedly declined. Intel, Coca-Cola, and JP Morgan Chase all reported healthy earnings which helped propel the Dow into a 256-point rally.Crude reache dyet another intra-day high, while the dollar hit a record low against the Euro.

Thursday 04/17/08
It was another up-and-down day in the markets, as investors reacted to a mixed earnings reports and economic data. Despite a steeper-than-expected quarterly loss, Merrill Lynch managed to move higher after the firm announced further job cuts. The Labor Department, meanwhile, reported that continuing jobless claims surged to their highest level since June of 2004, highlighting the bleak economic picture. Intel rallied to a new high, Pfizer reported figures that missed estimates, while Continental Airlines reported a narrower-than-expected first quarter loss. The dollar rebounded slightly as the Dow closed with hardly any change.

Friday 04/18/08
Stocks rallied right from the open, boosted by superior earnings from Google. The stock surged, leading the Dow into a 200-point rally as investors shruged off a less impressive report from Citigroup. E-trade Financial rallied on a lesser-than-expected loss, while Electronic Arts yet again extended its offer for Take Two Interactive. The dollar continued to rebound, pushing gold and crude down.

THE WEEK IN QUOTES

"When rich people go out and think they're smarter than economics, they go broke. When political leaders decide they can violate all the rules of war, they get beat"
-Republican Newt Gingrich, former House Speaker, on the subprime mortgage crisis and the Iraq War

"It's a good time to be a Google bull."
-Colin Gillis, an analyst with Canaccord Adams, after Google reported better-than-expected quarterly profits despite the weakening economy

"Bottom line is, we think it's a really good fit"
-Richard Anderson, Delta chief executive, on the proposed merger of Delta and Northwest airlines

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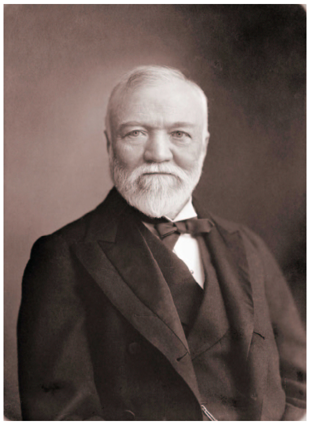
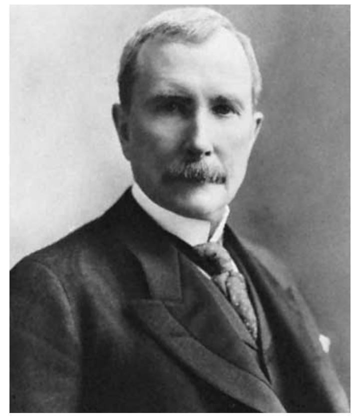
KINGS OF PHILANTHROPY *By Mehnt Bhatia*



Andrew Carnegie



John D. Rockefeller

Andrew Carnegie, born on November 25th 1835, was an industrialist and philanthropist, who is recognized for the numerous charitable gifts he made. At the age of 13, he worked at a cotton mill for little pay. After a year of this job, he shifted to Pittsburgh, where he became a messenger in the telegraph office.

He rose through the ranks to eventually become the superintendent of the Pittsburgh division of railroad. In 1873, he decided to build a steel mill near Pittsburgh. By 1899, he had consolidated his position in the steel building industry, as Carnegie Steel controlled 25% of the steel and iron production of the country.

In 1901, Carnegie decided to sell his steel company for $250 million and retired from business as the world's richest man. Thereafter, he dedicated most of his life and money to philanthropy. A year later, he decided to establish Carnegie Institution, to provide research for American universities and colleges. Carnegie was a strict believer in education. As a result, he decided to donate money to numerous cities and towns to build more than 2000 public libraries.

He also gave $125 million to a foundation called the Carnegie Corporation to aid colleges and other schools. The other main cause that Carnegie believed in was world peace. In light of this, He established the Carnegie Endowment for International Peace and funded the building of the Hague Palace of Peace, which houses the World Court, in the Netherlands.
Carnegie's willingness to give away everything that he had earned to various noble causes makes him one of the most famous and respected personalities in the world of philanthropy.

John D. Rockefeller, born on July 8th 1839 in New York, was an American Industrialist. He attended a public school in Cleveland. At the age of 16, he became a book keeper. At the age of 23, he decided to go in business with an entrepreneur Henry Flagler and Samuel Andrews, the inventor of an inexpensive process for the refinement of crude petroleum. Standard Oil, the company started by the three of them, and its subsidiaries quickly managed to consolidate the refining business in Cleveland, and began to expand its reach to Philadelphia and Pittsburgh.

The company had employed numerous strategies that made it run more effectively. Rockefeller decided to buy out all the components of the oil market in order to discourage any competitors from entering the business. The company took advantage of its size as it was able to bear short term losses while other companies were forced to sell out. His shrewd business strategies helped him crush his competitors, making him the richest man in the world. In the 1890s, he decided to spend lesser time on the Standard Oil Company, and more on Philanthropy.

After his retirement in 1911, he dedicated his entire life to philanthropy. He made contributions numerous to noble causes. These included the creation of an organization to help prevent and cure diseases and an organization especially dedicated to battle the hookworm disease. He also made grants to colleges such as University of Chicago, Yale, Harvard and Columbia. Other than his brilliant entrepreneurial mind, he is known for his generosity and willingness to support noble causes.

WILL MERRILL BOUNCE BACK? *By Emily Anderson*

Merrill Lynch, one of the biggest financial giants on Wall Street, has been struggling over the past few months due to the mortgage crisis. It had to try to extricate itself from more than $60 billion of mortgage-related securities and leveraged loans. Write-downs are ongoing for soured mortgage investments, but the going is slow. It is reported that Merrill Lynch is going to be cutting over four thousand jobs in the near future, a ten percent reduction that will dramatically decrease the growth potential of Merrill at this time.

The investment bank this year recorded a loss of $9.8 billion, or $12.01 a share, versus a gain of $2.3 billion, or $2.41 a share, in the corresponding quarter last year. This year's loss was far worse than analysts' expectations. This high miss disappointed investors, pushing the stock down 8.0%, or $4.43, to $50.66.

Merrill still has $64.8 billion of net exposure to areas suffering from the mortgage crisis. However the company has tried to hedge this exposure. It bought over $20 billion in bonds from several bond insurers, including Security Court and ACA Capital, in 2007 that has reduced its exposure drastically. These insurers, however, are also having difficulties staying afloat in this unpredictable market. They are arguing that they do not have enough capital to pay back on these guarantees. Merrill and Security Court are now in court over the issue of the guarantees.

Despite this quarter's loss and the ongoing struggles, Merrill Lynch is still a strong firm that is trying to bounce back. Thain, Merrill's recently installed CEO, has been battling against an ongoing public opinion that Merrill Lynch will need to raise more capital. He has repeatedly assured the market that Merrill Lynch will not need to resort to raising capital. He has been optimistic about the fact that Merrill Lynch has increased its liquidity over the past few weeks. It has, along with other firms on Wall Street, been aggressively courting foreign, often state-controlled investment funds for cash infusions. In January Merrill raised $6.6 billion from the Kuwait Investment Authority, Japan's Mizuho Financial Group, Korean Investment Corp., and other investors. The transaction is expected to be finalized within the next three weeks. In December Merrill also secured $6.2 billion in funding from Singapore's government-controlled Temasek Holdings and from New York-based Davis Selected Advisors.

Merrill is slowly starting to pull out of this mortgage slump. It is down to $64.8 billion in exposure to CDOs and complex mortgage vehicles, as opposed to $65.67 billion at the end of 2007. They are also down to $21 billion of exposure to commercial real estate, from $22 billion at the end of last year. The amount of exposure is still large but it is starting to come down.

To prove that Merrill Lynch is starting to pull out of the slump, its stock has started to rise and some speculators say that they might have successfully gotten through the worst financial downturn in thirty years. With the credit market being the way it is, there is a high chance that the next few months will still be difficult for those who have invested in Merrill Lynch, but Thain believes that by April the company will be back on track. Citi analyst Prashant Bhatia believes that Merrill Lynch still has a strong foundation and that it will be profitable again in the second quarter, alleviating even more fears about the company needing to raise capital. Bhatia has kept a buy rating on Merrill Lynch and is optimistic for the future.

THE YEAR OF COPPER? *By Ivan Au*

Copper prices have seen a rapid increase in the past year. As an industrial metal, copper has never been more demanded as emerging economies grow at a rapid rate and inventories continue to decrease. As a commodity, copper has become increasingly attractive to investors who seek shelter from the recent subprime mortgage crisis. However, investors are beginning to fear that the recent crisis will cause a global market slowdown and consequently a reduction in demand for copper. Will the surge in copper prices continue in 2008?

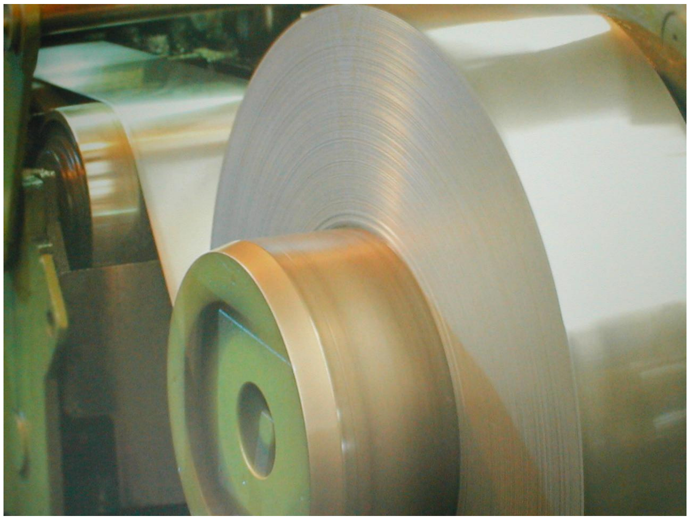
Copper is mainly used in communications, electricity and heat conduction, water and gas transportation, roofing, plants and crops protection, feed supplement, and in artwork. It can be found anywhere from semiconductor chips to the coins we use daily. Because of its natural recyclable characteristics, copper can be efficiently used for a considerable period of time. China is the world's largest copper consumer. The largest copper mines can be found in Chile, Peru, United States, Indonesia, Australia, China, Russia, Poland, Zambia and Kazakhstan. As opposed to oil, copper is far less sensitive to the US economy because US demand for copper is only 5% of global demand. As opposed to gold and silver, copper is also far less sensitive to inflation and crisis as its volatility vanishes more rapidly than both gold and silver.

Global demand has pushed copper prices to record prices during the past year. Since copper plays an essential role in infrastructure development, double-digit growth in emerging economies directly translates to a rapid growth in the demand for copper. Additionally, copper inventories reported by the London Mercantile Exchange (LME) have been falling in the past year, spurring the prices to increase even more. Aluminum, a substitute for copper due to its similar characteristics for the production of various products such as electrical wires and building wires, also propelled the price increase. Recent winter storms and power outages in factories in China and South Africa have caused aluminum prices to soar, which can be accounted for the increased demand for copper. Industrial actions such as strikes in Peru, Chile, and Mexico have also contributed to the increase in copper prices.

Yet, there are numerous uncertain factors that may affect the copper price trend. First, since US is a key trading partner of China, there are worries that US slowdown may lead to hinder Chinese growth. Construction slowdown as a result of the recent subprime mortgage crisis may also translate into less construction thus less demand for copper. Second, in order to curb inflation in China, China's Central Bank has recently announced possible measures to increase interest rate and flexibility of its currency, which may affect its economic growth. Third, mines are often located in areas susceptible to political risks, which may affect copper production. However, when copper prices dropped to around $2.50 a pound last year, China became an aggressive buyer. Therefore, if copper should fall that far again, price support would possibly emerge at that level again. Moreover, while the rate of economic growth might reduce, ongoing development and industrialization in emerging economies will still maintain a considerable growth. Coupled with falling inventories, demand for copper may continue to push prices up.

So how can the average investor benefit from the increase in copper prices this year? According the research report from HSBC, copper equities have dropped 30% even though copper prices remain resilient. The bad news in the market should be already priced into the equities, and market overreaction has caused certain equities to be now trading at a discount. Using both downside valuation and assuming a return to mid-cycle copper prices (around USD 1.50/lb in real terms), the report sees strong valuation support in Kazakhmys (KAZ), a Kazakhstan-based, low-cost producer, as well as First Quantum (FQM), a copper producer with assets in Zambia and Democratic Republic of Congo that proves to have strong production growth. Both equities are traded on the London Stock Exchange. American investors can consider Freeport-McMoRan Copper and Gold (FCX) and Southern Copper Corp. (PCU), which owns some of the largest mines in Southern America and are considered an attractive investment to mitigate inflation risks, according to a Zacks Equity Research report. Investors who seek to diversify their risks more can consider exchange-traded funds, or securities that track a basket of assets but trades like a stock on the exchange, that are focused on metal and mining equities. Some examples include PowerShares DB Base Metals (DBB), US Global Investors Global Resources Fund (PSPFX), and SPDR S&P Metals and Mining ETF (XME).

STEEL STRUCTURING CHINA'S INFRASTRUCTURE *By Robert Sun*



It's a no-brainer that China has become one of the world's fastest growing economies. For the past 15 years, its real annual GDP growth rate has never dropped below 7% and it has reached a double-digit rate 7 out of those 15 years! In comparison, the US economy only grew by 2.2% in 2007 and is forecasted to grow by only 0.8% for this year. At its current rate, the government will have to rely on Chinese-based steel manufacturers like Sutor Technology Group (SUTR) to build the infrastructure for this growth.

Sutor Technology Group Limited is a Chinese based manufacturer and seller of steel finishing fabrication products in China. It produces hot-dip galvanized steel (HDG Steel) that are used in household appliances and construction materials, and specialized steel used in the automotive industry. It mainly supplies to manufacturers of electrical household appliances, construction steel suppliers, and manufacturers of automobiles, ships, and other large equipments. Sutor Technology Group's international customers include manufacturers in the United States, Europe, South Africa, and other areas of Asia.

Right now, Sutor is China's main supplier of specialized, anti-static steel used in China's growing automotive industry. Because of its position in the specialized market, Sutor's revenue has been constantly increasing from $71.28 million at the end of March 2007 to $114.89 million at the end of December 2007, or a growth 61.2% over three quarters.

Currently, Sutor is undervalued, priced at $5.95, or only 8.45 times its earnings. As a comparison, the Iron & Steel industry's P/E ratio sits at 19.3. In the industry, Sutor's P/E ratio is lower than 92% of its peers. If Sutor were to be priced at the industry's average, its stock would sell for $13.59 per share. If it grew to the S&P 500's average P/E ratio of 22.19, its price would rise to $15.62, which would be a jump of 163%! Part of the reason for its undervaluation is the fact that it recently moved over from the Pink Sheets to NASDAQ.

Sutor Technology Group (Nasdaq: SUTR)
Key Statistics (as of 4/11/08)

Last Trade: 5.95	P/E (ttm): 8.45
52wk Range: 3.00 - 7.50	Forward P/E: 7.81
Avg Vol: 132,821	PEG Ratio: 0.43
Shares Out: 37.96M	Price-to-Sales (ttm): 0.6
Div & Yield: N/A (N/A)	Price-to-Book (mrq): 2.11
Market Cap: 237.22M	Current Ratio (mrq): 1.59

Source: Yahoo! Finance

Furthermore, Sutor's 5 year expected PEG, or P/E to growth, ratio is only 0.43. A PEG ratio of 1 suggests a stock is fairly valued and the lower the ratio, the more undervalued the stock is. Motley Fool analyst Joseph Khattab calculated the 3-year returns of companies with different PEG ratios and found that companies with a PEG less than 1 averaged a return of 225.2%. In addition, a significant portion of the companies, about 92%, beat the market average over that timeframe.

Sutor also has a Return on Equity (ROE) of 63.31% which is the better than all of peers in the industry. This shows that Sutor has been better at reinvesting its earnings than all of its competitors. Sutor's Earnings per Share (EPS) growth rate is also higher than 97% of its competitors. Combined, this makes Sutor a very attractive investment.

Disclaimer: Robert Sun does not have a position in Sutor Technology Group but has been watching it with interest for the past month.

VALUATION METRICS *By Alexander Muhr and Matthew Riley*

Being able to determine the financial strength of a company is vital to valuing it. This is done through reading the fine print on financial statements and analysis of the numbers therein. Before we can get started on the metrics, you must first know the different statements that are available and how to access them. There are two main SEC forms that can be accessed through Yahoo!Finance.com or directly from EDGAR Online. These statements are called the 10-Q Quarterly Report, and the 10-K Annual Report. As implied by their names, the 10-Q is issued quarterly and contains information about the previous quarter's results, while the 10-K informs investors of the previous year's results.

Within the SEC filings are the accounting statements—the Balance Sheet, Income Statement, Cash Flow Statement and the Statement of Owner's Equity. Although the numbers from these statements are telling of a company's financial strength, it is important to read through the rest of the report to find out the activities of the company and how the financial numbers were ascertained. Once you have read through the report, you can begin to calculate the following ratios with relative certainty. It is our hope that you will be able to use them in your future stock analyses.

Gross Margin
(Revenue – Cost of Goods Sold (COGS)) / Revenue
Gross Margin tells you how much money the company makes from each sale – after their cost of making the product or service. The margins vary for different sectors and industries, but comparing these ratios to competitors, historical margins for the company or future margins for the company may yield valuable information about how the company is maturing, changing or dealing with a shifts in its target markets.

Operating Margin
(Revenue – All Operating Costs) / Revenue
Operating Margins take the Gross Margin and adds in the extra costs of running the business – such as administration, marketing, etc. These margins also vary by business, but if you look at it the same way as Gross Margin, you should find great companies.

Net Margin
(Revenue + Non-Operating Revenue – Total Costs) / Revenue
Net Margin adds in more costs like taxes and interest payments on debt. Again, the same scenario as above, they vary and by looking at competitors and past trends, you should find great businesses.

Return On Assets
Net Profit / Total Assets
Here you are looking for how much money is earned off of the assets of a company – which includes cash, property, machinery, etc. This metric is more company specific, and if you can find business that yield 25%+ that is very good.

Return On Equity
Net Profit / Total Equity
ROE shows you how much profit is being yielded from the net worth of the company. This metric can be misleading because if a company has a high amount of debt, the yield will be higher. But if there is little debt, then look for 25%+.

Return On Invested Capital
ROIC = (EBIT * (1 – Tax Rate)) / Invested Capital
Invested Capital = (Total Assets – Cash – Tax Accounting – Investments) – Current Liabilities
EBIT = Operating Profit
ROIC is a good metric to look at because it tells you how much money is being earned from dollars that is being used specifically to earn money. Again, a rate of 25%+ is very good.

Operational Cash Flow
Cash Flow From Operations / Current Liabilities
OCF is an important consideration because it allows you to see if the cash flow a company is generating is enough to pay off its debts. Look for an OCF that is greater than 1.

Book Value Per Share
Stockholders Equity - Preferred Stock / Number of Shares Outstanding
Book Value is an excellent tool to asses a company's intrinsic value to see what it is really worth. You want the Book Value Per Share to be higher than the stock price.

Current Ratio
Current Assets / Current Liabilities
The Current Ratio is an indicator of a company's liquidity. A ratio greater than 1 means that the company has more assets than it does liabilities. Anything over 3 is desirable.

Payout Ratio
Dividends Per Share / Earnings Per Share
The Payout Ratio shows how a company distributes its earnings. A low payout ratio means the firm is reinvesting profits, while a high payout ratio tells us that earnings are paid out in the form of dividends. If a company has a dividend that is too good to be true, it probably is. Generally, companies with a high yield will have payout ratios greater than 100% - indicating that they are financing it with borrowing. These yields are unsustainable unless the company experiences a significant level of growth.

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