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MARKET WATCH | MONDAY, FEBRUARY 15, 2010

A Sampling of Advisory Opinion

By ANITA PELTONEN | [MORE ARTICLES BY AUTHOR\(S\)](#)

A Sampling of Advisory Opinion.

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Ten Logical Ways

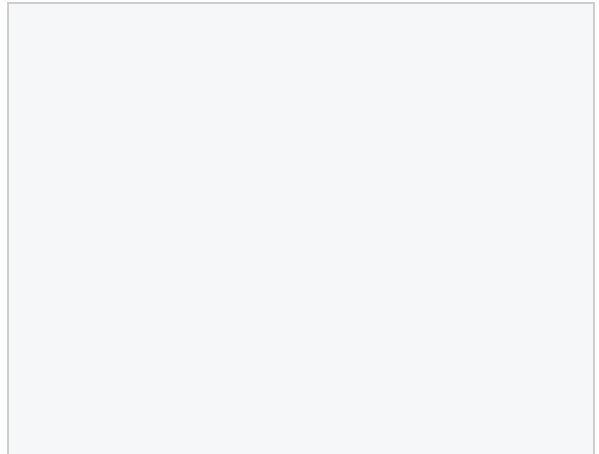
How To Reform the Financial System by Bankstocks.com/Brown & Hill Publishing

237 Park Ave., New York, N.Y. 10017

Feb. 9: No new restrictions needed:

1. Consolidate bank regulatory agencies.
2. Regulate institutions as if "too-big-to fail" didn't exist. Regulators...can force banks to sign memorandums of understanding that mandate major changes in practices. They can unilaterally issue cease-and-desist orders....They [can] even declare an institution insolvent....
3. Reiterate the primacy of the three key regulatory ratios: Tier 1 capital, total capital, and leverage.
4. Change the methodology for the establishment of loan-loss reserves. Reserves are just a de facto form of capital, but on the other side of bank's balance sheet...the current, procyclical, method needs to be changed... bank regulators should establish reserve levels by loan type (commercial, credit card, real estate, construction), and then maintain those levels throughout the cycle, as actual losses ebb and flow. Then, during credit bottoms, bank earnings would still suffer as loan-loss provisions rise to cover cyclically high charge-offs, but earnings would not be further reduced by redundant reserve builds.
5. Eliminate interest-rate distortions by the government. Fannie and Freddie have got to go.
6. End money-market mutual funds' free ride. Since fall 2008, money-market funds have received the backing of the U.S. government and haven't had to pay a dime for it. One of the most appalling...myth[s is] that the funds are always worth exactly \$1 per share, regardless of the underlying value....I believe MMFs should be quoted at their fair-market value, to instill some market discipline.
7. Impose tighter leverage limits on investment banks.
8. Get rid of ratings-based triggers.
9. Credit-default swaps should be traded via an exchange or clearinghouse.

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Today's Most Popular

10. Credit unions should be taxed.

Those are our ten reforms. And note, please, what we did not include -- no new tax on the 50 largest banks, no new regulator, no limits on hedge funds, private equity, or proprietary trading -- other than what would be determined as an unsafe and unsound banking practice.

Our proposals would create regulatory efficiency clarity and clean up redundancy. The result would be a better, safer financial-services industry, a boost to banks' confidence, and an increase in the willingness and ability to lend.

-- Thomas Brown

Attractive Entry Point

January Performance by Sunnymeach Asset Management

151 Bodman Pl., Red Bank, N.J. 07701

Feb. 9: Looking at the equity market's performance on a sector-by-sector basis, the laggards in January were technology (-8.60%) and materials (-8.64%), with energy (-4.40%) and utilities (-4.80%) also faring poorly. Health care (+0.68%) was the only sector to make it into positive territory for the period, although the losses posted by consumer discretionary (-2.89%), consumer staples (-1.02%), industrials (-1.48%), and financials (-1.53%) were less than the broad market averages. Among the broad sectors throwing up major furballs during the month, the Dow Transports posted a 5% drop, the Nasdaq 100 experienced a 6.4% drubbing, while the Philadelphia Stock Exchange Index of gold/silver stocks suffered a 12.1% shellacking.

The short summary of [our] outlook: We believe stocks are attractively priced, with inflation subdued and the broad market selling at only 13.7 times estimated earnings. In our minds, the biggest surprise in 2010 will be how strong earnings will be for corporate America.

-- James O'Mealia

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Regional Banks to Buy Into Now

Morgan Keegan likes BB&T, Synovus, SunTrust and five others.



Pentair Has Pent-Up Margins

Boenning & Scattergood initiated coverage at Outperform.






Barron's Roundtable Pros Share Midyear Stock Picks

Our panel of Wall Street experts gives their picks and pans for the rest of the year. Why they like Microsoft and gold. Two views of Treasuries.

Manic-Depressive Dow Spooks Investors

The Dow Industrials zigzagged between doom and delight, as long-term problems still haunt the market—including BP's Gulf spill, the effects of which will linger for years.

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Featured Comment

“Can't find anyone who doesn't like gold and that is scary. However, with helicopter Ben in charge and QE taking hold in Europe, it is hard to think of an alternative store of value. Does anyone have any suggestions?”

— Leonard Ellman
On [Handle With Care](#)

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