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*The Shrinking Ranks of Equity Research*

In July, individual investors may find it more difficult to get free research on equities. At that time, a five-year agreement requiring Wall Street firms to sponsor independent research will come to an end.

The dot.com crash of 2000/2001 unleashed a trend toward reduced equity coverage. Sell-side research withered. Buy-side research fared a bit better. And, somewhat muting the overall trend, independent research increased.

Independent research flourished because of a \$432.5 million settlement requiring companies such as Citigroup, Lehman Brothers, J.P. Morgan Chase, UBS, Goldman Sachs, Merrill Lynch and Bear Sterns to sponsor independent research for a period of five-years. The settlement was reached to counter concerns that these bulge-bracket firms produced overly rosy research, potentially misleading investors.

Many of the companies involved in the settlement no longer exist in the same form or, in the cases of Bear Sterns and Lehman Brothers, at all. Many others are facing significant challenges. The consensus is that a drastic drop in sponsored research will ensue, reducing the amount of research available for free to individual investors.

Meanwhile, research is also being decimated by the usual boom and bust cycle. In Tokyo, HSBC, UBS, Goldman Sachs and Citigroup have all cut back on equity coverage in Japan, sometimes completely.

In one positive development, many boutique firms are expanding their ranks, but this research is seldom directed toward individual investors or available for free.



**Related Links:**

**BusinessWeek. Stock Research: An Uncertain Future.**

[http://www.businessweek.com/investor/content/may2009/pi2009051\\_843116.htm?chan=top+news\\_top+news+index+++temp\\_news+%2B+analysis](http://www.businessweek.com/investor/content/may2009/pi2009051_843116.htm?chan=top+news_top+news+index+++temp_news+%2B+analysis)

**Bloomberg. HSBC Will Close Equity Research, Trading in Japan (Update4).**

<http://www.bloomberg.com/apps/news?pid=20601102&sid=amfrvOz9cQmQ&refer=uk#>

**Bloomberg. UBS Said to Fire 10 Equity Research Staff in Japan (Update1).**

<http://www.bloomberg.com/apps/news?pid=20601101&sid=ak0FWmDGZbGc&refer=japan#>

**MarketWatch. GC Research Ltd. Hires Blue-Ribbon Technology Analyst.**

[http://www.marketwatch.com/story/gc-research-ltd-hires-blue?dist=msr\\_9](http://www.marketwatch.com/story/gc-research-ltd-hires-blue?dist=msr_9)

**Time. Wall Street Stock Research: Soon, Less Independent.**

<http://www.time.com/time/business/article/0,8599,1893519,00.html>

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