



STRATEGY UPSET

By PAUL THARP

November 19, 2002 --

Wall Street's best-known cheerleaders are afraid they'll be tossed completely out of the money game.

Investment gurus at top brokerages have become the market's latest endangered species, falling one by one in a rising public backlash against the rosy outlooks the gurus have wrongly painted.

Sources say some of the celebrity investment strategists who are running scared include Abby Joseph Cohen at Goldman Sachs, Joe Battipaglia at Ryan Beck, Byron Wien at Morgan Stanley and Al Goldman at A.G. Edwards.

Another bull market champion said to be under the gun is John Ryding, the chief market economist at Bear Stearns, who was the only major strategist to predict the Federal Reserve wouldn't cut rates earlier this month. The Fed instead cut rates more deeply than economists expected due to the bad slump.

What's sinking the big strategists is that they were doing their jobs too well in selling optimism, say securities experts.

Most completely missed the stock market washout in the late 1990s. Recently ousted strategist Jeff Applegate of Lehman Brothers, for example, predicted the Dow Jones industrial average at the end of 1999 would stand at 12,750 - 2,000 points too optimistic.

Once a popular staple, the investment strategist is now almost a joke, investors say.

Earning up to \$2 million a year, the strategists try to embrace the world's big economic picture - but their main job has been exhorting the public to keep buying stocks, no matter what.

"Why pay a seven-figure salary and put someone on TV to make a star out of them just to get

orders flowing?" said one veteran investor. "No one listens to them anymore - they're almost a liability."

"It's a good thing the firms didn't put their own money into their strategies, or they'd be bankrupt now," the investor added.

The investor compared their work to a cliché.

"Their records are like the broken clock - it's right twice a day. Well, Wall Street is just throwing out its broken clocks and saving a bundle."

One high-profile investment strategist tossed out earlier last week was Lehman Brothers' Applegate, the fourth ousted in recent days.

Other high-profile strategists recently dumped include Merrill Lynch's junk-bond guru Martin Fridson and Tom Galvin at Credit Suisse First Boston.

Sources at brokerages say the ousted strategists were simply caught up in the wave of cost-cutting at firms, not booted because they were selling optimism.

But in past rounds of layoffs, the investment gurus were generally untouchable. They were the public faces of firms and instilled confidence among many investors during bullish times.

"What they're saying now keeps blowing up in their faces in this down market," said one portfolio manager.

"You don't need a high-priced spokesman to tell people to buy stocks. They're suddenly an extravagant expense."

Investors have pulled about \$430 billion from equity mutual funds in the second quarter, according to the Investment Company Institute.

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