

Technical Perspectives on Analyst's Rating Changes

ENOC case study
02-28-2008

ENOC – This case study was triggered by an analyst's rating change on February 28, 2008. The rating change on the most recent date was a downgrade from "buy" to "hold." The text box from the TPARC report has been copied onto the chart on the right below. The earlier chart is from Monday's database for February 25, 2008 and it shows the top clearly. The sudden drop occurred on Tuesday when the stock lost 9 points or almost 35% of its value in one day. A daily bar chart shows that the stock opened down about two points on Tuesday and then traded down further in the big decline. The simple fact is that the top was clearly visible days before the sudden drop.

Was there unusual option activity ahead of this sudden drop? Were short sellers active before this drop? Did the market makers know that something bad was about to happen and were they able to get positioned ahead of it? Did insiders sell heavily before this drop? The answers to these questions will probably remain shrouded in secrecy but a drop this big from one day to the next makes you wonder? It is folly to assume that this was a total surprise for everyone involved with this stock and that nobody was able to profit from this market disaster. It is highly likely that the market makers could feel the downward pressure on the stock and they acted accordingly.

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