

ANNEX BULLETIN

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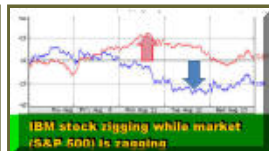
Updated 8/03/08, 7:30PM PDT

Analysis of IBM Institutional Shareholdings

Big Blue Stock Sags on "No News" Days

Institutional Dumping of Shares - One Possible Reason

SCOTTSDALE, Aug 13 – When a company does well in business, its shares will also rise. That's an age old truism, right? Well, we all know by now that the old truism as become an anachronism. Modern stock market is driven by investment cash flows' ebbs and rises, not the corporate bottom lines. So keeping that in mind, how to you explain what happened to the IBM stock earlier this week? Take a look at the charts...



On two "no news" days (as far as Big Blue was concerned), the IBM stock lost over five points (nearly \$7 billion of its market cap) while the overall market was up. How do we explain that? Why were IBM shares sagging while the market was soaring?



Once again, we have to go look at investment cash flows to try to answer those questions. The biggest waves are made by the largest shareholders - the Wall Street institutions. They sometimes trade a few million shares here, a few million there... at the flick of a finger. And while the actual trades from this week won't be known for some months, we have a sense that some major institutions must have been dumping a lot of IBM shares for reasons that you and I can only speculate about.

Company	Country	Number of Shares	Global Rank	Industry Rank
Bank of America	USA	1,000,000,000	1	1
Wells Fargo	USA	500,000,000	2	2
Citigroup	USA	400,000,000	3	3
JP Morgan Chase	USA	300,000,000	4	4
State Street	USA	200,000,000	5	5
BlackRock	USA	150,000,000	6	6
Capital Group	USA	100,000,000	7	7
Prudential	USA	80,000,000	8	8
Goldman Sachs	USA	70,000,000	9	9
Bank of Montreal	Canada	60,000,000	10	10
JP Morgan Chase	USA	50,000,000	11	11
JP Morgan Chase	USA	40,000,000	12	12

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What we do know from the past reports is that there has been a lot of churning among the IBM shareholders. Most of this data goes back to late May, but some of the reports are as current as last week. The left chart above shows the top 12 largest institutional *net sellers* of IBM shares as of their last reports to the SEC. Ditto re. the top 10 biggest *net buyers* of IBM stock whom we dubbed the Big Blue Boosters Club (above middle).

And if you click on that table (above right), you can see that the net sellers outnumbered the net buyers of the IBM stock by 581 to 480, according to the latest report by MMFAIS ([Mutual Fund Facts About Individual Stocks](#)).



IBM stock outperformed market by wide margin in last year

So even though IBM shares have outperformed the market by a wide margin in the last 12 months (see above chart), they are lagging behind this week, for some strange reason.

Summary

In short, the company's fundamentals used to be a determining factor in its stock performance. That's clearly not the case anymore. Whims and frills of Wall Street portfolio managers now seem to outweigh the corporate top and bottom lines. What happened to the IBM stock this week demonstrates that in spades. On two successive "no news" days during which the overall market soared, Big Blue shares lost nearly \$7 billion of their market cap.

When the company released its second quarter results last month, IBM pulled the market up by its boot straps (see "[IBM Pulls Market Up by Its Boot Straps](#)," July 17). For a while, the two moved in tandem. This week, somebody on the Street decided to send Big Blue into a dive, leaving the rest of us mystified as to why. Welcome to the Wall Street Casino! It is no place for the rational or the faint-hearted.

Happy bargain hunting!

Bob Djurdjevic

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