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*"Advice is the only commodity on the market where the supply always exceeds the demand."*

- Unknown

*"He who lives by the crystal ball soon learns to eat ground glass."*

- Edgar Fiedler

**Blog - Investing Notes**

**June 29, 2005 – Deconstructing Cramer**

In this entry, we review the biweekly *New York Metro* commentary of [Jim Cramer](#) regarding the stock market via his archived articles since May 2000. Mr. Cramer is among the most visible and prolific members of the financial media. He is currently the host of *Mad Money* on CNBC and of RealMoney radio on *WOR in New York* and *TheStreet.com*. He is Director, Co-founder, Markets Commentator and Advisor to the CEO at *TheStreet.com*, where he offers his [ActionAlertsPlus email service](#). He makes hundreds of buy-hold-sell recommendations on individual stocks each month via these channels. We use here his *New York Metro* commentary because of its lengthy archive and manageable pace. We selected from that commentary all articles which address the future direction of the overall stock market, plus a few articles on high-profile stocks and sectors. The chart below extracts highlights from this commentary and shows the performance of the **S&P 500 index** over the 21, 63, 126 and 254 trading days after the publication date for each item. Red plus (minus) signs to the right of specific items indicate those subsequently proven right (wrong) by the market. We conclude that:

- Mr. Cramer is right about 50% (25 out of 51) of the time with his stock market predictions, prone more to headline hyperbole than equivocation.
- His predictions sometimes swing dramatically from optimistic to pessimistic, and back again, over short periods. It is difficult to infer his guiding valuation theory, if he has one. We wonder whether he tends to be swayed by the arguments of forceful advocates with whom he most recently interacted.
- Investor sentiment is sometimes an important contrarian indicator for him. When he sees most investors leaning one way, he advises to go the other way. [See our blog entries of [May 19](#) and [October 27](#), showing that broad investor sentiment is backward rather than forward looking. The entry of [May 27](#) suggests sentiment expressed as futures positions by classes of investors may have modest predictive value.]
- He sometimes anchors on historical analogy, such as: "it's '91 all over again" or "I'm placing my bets for 2004 strictly using 1994's tip sheet.";

In summary, *Mr. Cramer's stock market calls since May 2000 have low consistency and approximately coin-flip accuracy*. He seems more an entertaining (to some) stream of uncalibrated opinion than a stock market maven.

Amplifying the second bullet point above, we recently sampled a *Mad Money* show on which Mr. Cramer questioned via audio link Mike Farrell, Chairman, CEO and President of [Annaly Mortgage Management \(NLY\)](#) about the company's recent decline in earnings and cut in dividend. The flattened yield curve is an obvious indicator of continued troubles for this unhedged carry-trade investor in conventional mortgage loans. However, Mr. Cramer did not mount a serious challenge to Mr. Farrell's forceful but oblique defense of Annaly. Instead, he reiterated a buy recommendation.

See also the [June 30](#) and the [July 2](#) addenda to this entry.

For similar summaries of the commentaries of other market pundits and gurus, browse [Reviews of Web Sites and Market Commentators](#).

Date	Comments from: Jim Cramer via <i>New York Metro</i>	S&P 500 Index				
		21-Day Return	63-Day Return	126-Day Return	254-Day Return	
5/1/00	...there's just not enough money out there to absorb the wall of supply issued by the investment banks and their venture-capitalist allies... The dot-com gold rush is over.	-3.2%	-3.3%	-6.0%	-15.0%	+
5/15/00	...the public will happily buy every dip the professionals give them...	1.3%	1.3%	-5.9%	-11.3%	-
5/29/00	...the Fed still hasn't quenched people's zeal for stocks. In the wake of higher interest rates, they're simply switching sectors. Many portfolio managers used last week's hike to begin buying stocks that should do well even if we do get a recession	2.3%	5.9%	-5.2%	-11.4%	-

	even if we do get a recession.				
6/12/00	...there are a few bull markets that are alive and well right now...three months from now we will want to jump back into tech.	3.2%	3.4%	-5.3%	-15.6%
6/26/00	...for those of us with a taste for the downside, good times are back... Right now, the pain on the short side is virtually nonexistent.	-0.2%	-0.5%	-10.3%	-15.7%
8/7/00	The Fed will land the airplane safely, just as it did in 1994... We think individual stocks have plenty of room to romp once the soft landing is complete, just as they did in 1995, one of the biggest years in the market in recent memory. So it would be wrong to sit out the market until the all-clear is sounded by the Fed.	0.9%	-3.4%	-8.6%	-20.0%
10/9/00	Maybe we own enough tech already.... I am still an Intel-aholic. It's an incurable condition. And I am confident that by this time next year, our baby could return to the highs it saw five weeks ago.	2.1%	-7.6%	-16.7%	-23.2%
10/23/00	This market will get worse before it gets better, and the smart thing to do is just sit it out.	-3.5%	-2.5%	-12.0%	-24.1%
11/6/00	...I have seen the market bottom in October so many times that I can't help myself. I don't think this October will be any different. ...fund managers will be pulling out all the stops and buying like crazy.	-5.6%	-5.6%	-12.3%	-20.3%
11/27/00	...we are using any strength to sell our remaining tech cyclicals.	-1.5%	-6.7%	-7.5%	-13.2%
12/4/00	...a recession seems to be looming before us... I'll be riding out the storm by staying liquid, keeping my powder dry for when the Fed comes to its senses. That's when you'll need every penny, because that's when fortunes will be made in a very short time.	0.6%	-5.4%	-4.1%	-14.2%
12/18/00	There is not much to buy. Tech companies' fundamentals continue to deteriorate. The possibility of putting money to work in a stock that might "blow up" on an earnings disappointment has never been greater.	1.5%	-13.6%	-7.5%	-12.5%
1/22/01	This is the lowest-risk, highest-reward environment possible. You have the Fed -- and history -- totally on your side. It doesn't get any better than that. That's why I insist on finding stocks to buy and own right now...	-6.5%	-7.4%	-11.3%	-17.1%
2/5/01	Tech, because of the worldwide information-technology slowdown, may barely eke out gains in the coming months. But the cyclicals, once the Fed cuts rates, could show the kind of monster improvement that money managers go googly-eyed for.	-6.8%	-6.5%	-11.4%	-17.4%
2/19/01	...the worst is probably already over, just when the gloom is most pervasive... S&P 500 names over the tech-heavy NASDAQ.	-12.3%	1.0%	-8.4%	-13.5%
3/12/01	...the roaring market of the late nineties has vanished and isn't coming back. ...the [tech] winnings of 1998 will get repealed this year before we see an end to the bloodletting.	-1.0%	7.2%	-7.4%	-2.4%
4/23/01	...the market's latest bout of pessimism has created some extraordinary values, particularly in those companies that have nothing to do with technology.	6.9%	-1.1%	-10.1%	-11.3%
5/7/01	Not only is the economy going to rebound, but some of the best stock buys right now can be found in the much-despised tech sector. ...reposition into saner, safer tech for the rest of what will now turn out to be a very good year for equities...	0.5%	-3.9%	-11.5%	-13.6%
5/21/01	...I'm still watching and waiting. But the time to boo the dot-commers off the stage has come and gone. The survivors deserve the spotlight again.	-6.8%	-11.5%	-12.4%	-19.3%
6/11/01	Wall Street's Pearl Harbor has come and gone, and the tide has turned...the April-May rally -- a rally that took everyone by surprise -- will morph into a terrific summer explosion...	-5.9%	-13.4%	-10.8%	-18.7%
7/30/01	But don't look for the companies that took part in the huge stock-led boom to come back anytime soon. Even if interest rates went to zero, these companies wouldn't go much higher.	-3.6%	-12.0%	-9.1%	-27.2%
	All my indicators tell me that you have to buy, not sell				

10/1/01	All my indicators tell me that you have to buy, not sell -- too many bears, too many people capitulating, too many funds redeeming, too many people heading one way... So I am going against my own gloom and putting money to work in some solid blue chips...	2.0%	11.8%	8.4%	-21.1%	+
10/22/01	One day, when rates get to 2 percent, people will start buying more cyclical stocks again. But until then, leave the rest of the market to those who don't mind taking a real economic beating...	4.8%	2.7%	0.3%	-19.0%	+
11/26/01	...I think the market is poised to go higher -- perhaps dramatically so... And if the market really begins to roar, Microsoft could trade up to 100, Cisco to 30, and IBM up to 140.	-0.7%	-4.2%	-7.8%	-18.9%	-
12/10/01	...she [his wife] said calmly. "Probably goes higher." ...Then I realized, Of course, it's '91 all over again! We have that same combustible combination of lowered interest rates, tons of sidelined cash, and a wartime catalyst that could bring a tremendous surge of confidence.	1.5%	2.3%	-10.5%	-20.9%	-
1/7/02	By this time next year, things will be fairly booming in this country, with jobs being created and earnings per share looking terrific versus what they are now.	-7.0%	-3.4%	-18.2%	-20.4%	-
3/25/02	...what's left of the old industrial economy is again ready to roar... Don't forget to sell them after they have doubled.	-3.4%	-12.6%	-26.3%	-23.3%	+
4/22/02	...2002 is simply year three of a tech bear market...	-2.5%	-23.5%	-20.2%	-17.7%	+
6/3/02	[Chuck] Clough, [David] Rocker, and [Doug] Kass, three towering stock-market intellects...now all...acknowledge that things have gotten too cheap to bet against the market... My money's on the bulls. For the first time in two years, they're running..It's time to start running with them. Stop fighting it. The bottom, at last, is at hand.	-8.9%	-11.8%	-10.0%	-4.9%	-
7/15/02	...there are now two more variables in the equation, and both are serving as a ceiling, an invisible barrier on all stock prices: terror and ethics. ...the pleasure of at last jettisoning [tech stocks] may be overshadowed by the potential, if there is any at all, of a turn sometime in the next decade.	-3.7%	-12.4%	0.9%	7.0%	-
7/29/02	...the investor class has simply given up on the markets entirely. ...even way down here, I'm not sure that you should put money into this market...	4.0%	-1.8%	-4.5%	10.2%	+
8/25/02	...forget about the past and invest in the future: water, tobacco, bleach, and soda... And what about the Intels, Microsofts, Ciscos, and Dells, let alone the Nortels, Lucent's, Motorolas, Sun Micros, and EMCs? These stocks are losers.	-11.4%	-1.5%	-12.7%	5.8%	-
10/28/02	Last week's sweet little bull run was, unfortunately, all form and no substance. ... would anyone be surprised to see us back to Dow 5,000, its stamping grounds from a decade ago?	2.6%	-3.6%	3.0%	17.6%	-
11/11/02	Amazon, eBay, USA Interactive, and Yahoo -- have broken out. ...Perhaps...it's still not too late to get in.	3.3%	-5.4%	7.2%	20.8%	+
12/9/02	The market's not going to roar back to new highs anytime soon. In fact, much of the move has occurred already. But I don't think we will revisit those lows, either, because the economy, after deteriorating for three straight years, has at last stabilized. ...the market will mark time until the Iraq situation clarifies itself. If we move into Iraq, look initially for a decline that still doesn't exceed those we saw at the beginning of October, and then, if the war goes well, a resumption of the advance that we saw this fall.	4.0%	-10.2%	11.8%	20.1%	+
2/17/03	I am betting that once the war is over, the pent-up demand to buy stocks connected with consumer spending—the group that rocketed after Iraq I—astounds even the great optimists of the time. ...the time to buy is, alas, upon us...	2.7%	10.9%	17.5%	34.4%	+
	Stocks, all stocks, are now equally dangerous. The bear market, which began in technology, has now extended					

3/24/03	market, which began in technology, has now extended to every single sector. ...In short, the risks of owning stocks are as high as I have ever seen them, and the rewards the least certain. The wounds, self-inflicted or otherwise, are too deep to fix, even with a successfully prosecuted war. ...If you want safety, go buy a bond.	6.3%	15.2%	18.4%	28.3%	-
4/28/03	...only a few sectors will truly benefit postwar. ...Tons of individual stocks remain cheap these days. But a like number, particularly in tech and telecom, remain far too expensive.	4.2%	9.2%	12.5%	21.8%	-
6/2/03	If I didn't know better, I would be trumpeting that we are in a New Bull Market, with Dow 9500—up 800 points from here—soon beckoning. ...it all seems too good to believe, except for the ever-expanding list of new highs, which, by their nature, can't lie.	1.6%	3.7%	9.4%	15.5%	+
7/21/03	...I am still buying, still putting money to work, even at these levels, because I see so much more upside ahead. ...do some buying and participate in the next leg up.	2.4%	7.3%	16.3%	11.0%	+
11/3/03	How can you rebalance your portfolio? Start with some good old-fashioned staplers, cabinets, combination locks, and—yes—toilets.	2.8%	7.6%	11.7%	9.8%	
11/17/03	...the single most unlikely scenario, the one nobody's predicting, might be about to occur: the massive melt-up, the upside blow-off that lifts the Dow a thousand points between here and year-end. ...don't forget to hit the eject button the moment we get there.	3.1%	10.4%	4.3%	12.1%	-
12/15/03	...stop worrying about what price you paid and ignore those anxiety-producing bubble stories. Your home, alas, is not a dot-com, soon to be deflated and delisted. It's simply the best investment you'll ever make.	6.0%	4.0%	6.0%	11.8%	
1/5/04	...we have more room to go, maybe even much more, as the country's economy shakes off three years of contraction and begins to grow again. ...Good enough to make me wish that I could un-retire and go back into that trading turret I left at the end of 2000. ...I'm placing my bets for 2004 strictly using 1994's tip sheet.	0.4%	1.7%	-0.3%	5.9%	-
2/16/04	...it's time to ring the register on speculation and time to load up on these out-of-favor great American companies.	-2.9%	-5.3%	-6.5%	3.8%	
4/5/04	I just bought a ton of Nortel right in the teeth of restatement fears that took the stock to the \$5 level from \$8.	-2.5%	-3.0%	-1.4%	2.7%	-
4/19/04	Google, now synonymous with "to search," could, the moment it opens for trading, become synonymous with "to fleece."	-3.9%	-3.1%	-1.9%	2.1%	-
5/24/04	Damn grizzlies came back... Maybe, after Wall Street marks all the merchandise down far enough, someone will be interested in buying something.	4.1%	0.0%	7.5%	9.3%	-
6/7/04	Given...the...gigantic gains that can be had by selling and leasing Kmart's real estate, Lampert has stumbled onto his own Berkshire Hathaway...	-2.7%	-2.3%	4.4%	5.3%	+
8/23/04	...with the government now buying such a large portion of the nation's drugs, with price controls and the concomitant dramatic reduction in earnings—this sector is going to get sicker before it gets well.	1.6%	8.0%	8.1%		
9/13/04	...if we can get through the election without a major terrorist incident, we could see a 10 percent rally in the S&P no matter who wins come November.	-0.4%	5.6%	7.2%		+
12/20/04	Long term, though, I think the dollar can fall another 25 percent against the euro and the yen before it finds terra firma.	-1.6%	-0.9%	1.6%		
1/3/05	Overall, we're in for another good year, with 3 percent to 4 percent GDP growth and little inflation. That will translate into higher stock prices, with the S&P gaining 8 percent to 10 percent, a pattern not dissimilar to 2004.	-0.7%	-2.2%			
4/4/05	Resistance to owning oil remains way too high. I would buy...and own the stocks until oil represents more than 10 percent of the S&P...	-1.3%				

5/2/05	<b>...go to work buying stocks for the inevitable snapback that occurs whenever we plunge for psychology, not facts.</b>	3.4%				+
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