The New York Times
nytimes.com



**July 29, 2005**

# Requiem for the Researchers?

**By ROBEN FARZAD**

Every summer, droves of newly minted college graduates descend on Wall Street for an annual rite of passage: two-month training programs.

Armed with standard signing bonuses and Hewlett-Packard financial calculators, these junior analysts-to-be are treated to professional baseball games, cruises around Manhattan and meals in the city's finest steakhouses. In turn, they earnestly listen to speeches from senior executives whom they will probably never see again.

But since 2001, in the era after the fall of the dot-coms and the rise of Eliot Spitzer, the financial industry has shed some 55,000 jobs, according to the Securities Industry Association, and the ranks of Wall Street's equity researchers have suffered some of the highest casualties. The all-expense-paid summer training ritual is now largely reserved for investment banking and trading recruits. College-level research hires must train on the job.

Take Tim Nguyen, 22, who joined Merrill Lynch last month as a junior analyst with a research team in San Francisco that covers mortgage and credit card stocks. It was one of the few equity research openings at the firm. Merrill no longer has a summer training program for its college research recruits, steepening the learning curve for hires like Mr. Nguyen.

Still, Mr. Ngyuen, who graduated in May with an A- average from the undergraduate business program at the University of California, Berkeley, said he turned down multiple offers from hedge funds, consulting firms and other Wall Street divisions in favor of the Merrill Lynch opportunity.

"My family doesn't invest at all," he said. "But I enjoy tracking stocks and making buy and sell recommendations." Mr. Nguyen's résumé notes that he managed two stock portfolios for his college investment club, "providing returns competitive with the Standard & Poor's 500 index for the same period," and that he led his team to a second-place showing at the National Equities Cup, an online stock-picking tournament.

Mr. Nguyen also said that he wrote a 25-page term paper his final semester, complete with discounted cash flows and probability-weighted growth estimates, which argued that Google shares were undervalued at $220 (they now trade at $293.50).

"It was something I put a lot of work into so I could be able to mention it in my interviews," he said. "I'd say it was a positive return on my time investment."

Equity research used to be a popular destination for college graduates, who were drawn to the chance to master an industry sector under the tutelage of a highly paid analyst who was richly rewarded come bonus time. But regulations now prohibit the use of research to win investment-banking business, isolating equity research departments as a cost drain and drastically drying up opportunities for recent graduates.

"Research has been so tapered in terms of regulatory restrictions," said Shahriar Shahida, who recruits undergraduates for Constellation Capital Management, a hedge fund in which he is a principal. "The broad appeal for college hires has diminished, especially in terms of compensation."

Though most junior analysts, regardless of division, start at a base salary of $50,000 to $60,000, those in mergers and acquisitions and sales and trading are eligible for the highest performance bonuses, which in flush times can surpass half their salaries.

Still, Mr. Nguyen insisted he was not in it for the pay. "I look at it as an opportunity to gain a set of core skills to use in the future," he said, adding that he wanted to burnish his writing, marketing and quantitative abilities, which he could then parlay into most any career.

In addition to immersion in online finance and compliance training he is required to watch best-practices lectures like "Accounting Issues Related to Mergers and Acquisitions" and "Independent Research: What Is It? What Does It Mean?"

"You have to be careful of what you say, and make sure you're not violating laws," he said. And, he added, "You need to make sure that clients and investors get good, unconflicted research. That's just the bottom line."

Even if he did not have to walk a regulatory minefield every day, Mr. Nguyen's job would be demanding.

He arrives at the office every morning at 5 (Pacific time) to update models and help prepare research updates for Merrill's sales force and its clients.

Between listening to company conference calls and constantly tweaking his earnings models for American Express, Fannie Mae and the other 26 companies he tracks, he updates PowerPoint marketing presentations for the three senior members of his team. Soon, he will be expected to hold his own in the face of irate calls from traders and clients and unforeseen earnings bombshells.

"A lot of it," he confessed, "is Excel. You start to see it in your sleep and dream about it. It's kind of scary."

If he's lucky, he says, he'll be out of the office at 5:30 p.m. That gives him four and a half hours to buy groceries, eat dinner and study for his four coming licensing exams before his 10 p.m. bedtime. He aims to be up by 4 to do it all over again. "I used to have a hard time waking up for 8 o'clock classes," he said.

All told, Mr. Nguyen expects to average about 65 hours a week - and as many as 75 hours during earnings season - at his desk.

"I have the chance to contribute - not just be that guy who crunches numbers in a cubicle," he said. "I can picture myself doing this in 5 or 10 years."