Our man on Wall Street

Max Keiser bemoans Greenpeace's financial naivety, rails at Citigroup's daylight robbery, and suggests we fill our boots with carbon credits.

The KaramabanQue Index

	STOCK	STOCK PRICE FALL since 1 January 2004
1	Krispy Kreme Doughnuts (kkd)	-64.81
2	Ryanair (ryaay)	-38.71
3	Clear Channel (ccu)	-28.44
4	Coca-cola (ko)	-11.90
5	Pfizer (pfe)	-7.53
6	Citigroup (c)	-4.04
7	Microsoft (msft)	-0.26
8	Mcdonald's (mcd)	+ 8.82
9	ExxonMobil (xom)	+12.44
10	Starbucks (sbux)	+30.30

INDEX IS UP 13.25%

The KarmabanQue (KbQ) Index 2004 tracks the share price of high-performing but socially and environmentally irresponsible corporations, assuming their shares had been sold short on 1 January 2004. A short sale is a bet that a trader makes that a company's share price will fall. The further the company's share price falls, the more money the trader makes. Selling short stocks hurts corporations because it deflates their share price, the one and only language CEOs understand. The 10 stocks listed here are those with the highest KbQ rating on 1 January 2004.

The KbQ rating determines where a company appears in the index, and combines the amount of dissent directed at a company and its boycott vulnerability ratio (BVR).

A company's BVR indicates the susceptibility of its stock price to a consumer boycott. Currently, ExxonMobil's BVR is close to $1, whereas Coca-Cola's is closer to $5. Put simply, if I subtract a dollar of sales from Coke, that boycott cuts into the value of its stock five times harder than if I were to subtract a dollar of sales from Exxon.

For this reason boycotts ought to target high-BVR stocks like Coke.

www.karmabanque.com

Starbucks gets whacked

Coffee chain Starbucks was flirting with a 52-week high when KbQ re-emphasised its sell recommendation last month. The stock is swimming against a powerful, global, anti-American tide, not to mention way too expensive lattes in the Bush depression. Looks like we were right: sales numbers for August came in below Wall Street estimates, and the stock got whacked for 10 per cent. More pain on the downside to come, we think.

Ryanair in a tailspin

Carbon-spewing, wheelchair-hating, budget airline Ryanair picked up some new corporate social responsibility risk potential. A new website called *ryan be fair* (www.ryan-be-fair.org) tracks disgruntled employees and their grievances (hey, they want to start a union). Add to this the potential of higher oil prices for dragging down the firm's earnings, and we think the stock may yet hit fresh lows this year.

Krispy Kreme slide continues

Obesity provoker and alleged accounting fraudster Krispy Kreme Doughnuts hit a 52-week low this August. I'd like to see Krispy boycotters take this one down to single digits. There is some precedence: fellow US confectioner Interstate Bakeries is feeling the wrath of anti-carb boycotters who have forced the company to warn of the 'possibility' that auditors could raise questions about its ability to continue as a going concern.

Greenpeace's Exxon failure

Shortly after last month's issue of *The Ecologist* hit the news-stands I got emails from senior Greenpeace staffers on three different continents 'urgently' requesting that I expose the author of the memo I had reported as outlining Greenpeace's exit strategy from its self-admittedly failed Stop Esso campaign.

What struck me about these emails was the confirmation of my long-held belief that Greenpeace is an organisation held captive by its public relations department. No mention was made of the merits of the argument. No, the emails were concerned about how this memo, if leaked to the press, might 'play', and whether or not Exxon would contact me and get a copy of it to help it discredit Greenpeace. As if Exxon, a multi-billion-dollar company has time for such nonsense.

So what do I hear coming out of Greenpeace now? Speaking to me on condition of anonymity, a senior staffer said (and I paraphrase here): 'KbQ's results mirror our own internal studies. Coke has been a great campaign: it took only a few months for them to back down on ozone-depleting coolants. Whereas Exxon's proven to be a hard target that won't give an inch. I think your idea about targeting only high BVR-rated companies makes sense, and it would save us a lot of grief if we incorporated KbQ's ideas.'

When I probed further about this, two things became apparent: one, campaigns at Greenpeace are chosen more for PR value than strategic sense; and two, nobody at the pressure group can read a corporate balance sheet. Why bang on about this? Because the *FT* reported something last week that should, if financial statements were not off-limits to environmentalists, be an extremely important bit of news concerning carbon credits. More on this in 'When greed *is* good' over the page.

Investors should be cautious about any and all stock recommendations and should consider the source of any advice on stock selection. Various factors, including personal or corporate ownership, may influence or factor into an expert's stock analysis or opinion.

All investors are advised to conduct their own independent research into individual stocks before making a purchase decision. In addition, investors are advised that past stock performance is no guarantee of future price appreciation.

Market news

Euro Disney

Shares in Euro Disney, the US's proxy on the Continent, continue to 'shit the bed', as we say on Wall Street. It appears the stock's dive mirrors the rise of animosity between Europe and the US.

Adding heat to this volatile cocktail of animus is the recent trade data showing direct investment from the US to France has dropped by more than 80 per cent this year. Then there's the Bush administration's plans to pull 70,000 free-spending US troops out of Europe and Asia so they can be deployed to the new Ameri-Disney-Saudi Oilworldland in Iraq.

Against this backdrop the unthinkable starts to become possible: a Euro Disney bankruptcy. Not even Saudi billionaire Prince al-Waleed, who has a 16.3 per cent stake in Euro Disney, appears ready to ride to the rescue. The rumour is he's still hopping mad with the US after former New York mayor Rudolph Giuliani snubbed him post-9/11 by not taking any of the cash he made available to help to rebuild Ground Zero.

Looks like curtains for this cultural Chernobyl

I remember when Euro Disney first opened: the French called it a cultural Chernobyl, and that was the high point for the stock. The question still remains why anyone would pay to go to a shopping mall surrounded by boring rides, bad food and screaming, spoiled, obese kids, when you can see real castles, the ones that inspired Walt Disney to create his magic kingdom in the first place, in the Loire valley just a few kilometres down the road.

Recommendation: just sit back and watch this one implode.

Carbon Credits: 'When greed is good'

The new European Climate Exchange is scheduled to begin trading the world's first futures contract based on carbon emissions later this year.

Governments know that if they are to stop premature, carbon-led human extinction they have to cap emissions. They also know that they can never get any company to cap carbon out of simple philanthropy; simple philanthropy does not trade on any exchanges: it's as invisible as Adam Smith's hand.

Carbon credits and futures on carbon credits fill this gap in the marketplace by giving greedy speculators a way to make bets on greed in a new way. The idea works like this: emissions are given a financial value and made tradeable on an exchange; the amount companies can emit is capped, and if companies do not exceed their quotas they are given credits that they can then sell to the slow pokes in the class who need to buy the right to make excessive emissions.

This makes excessive emissions a not-so-profitable business. And the companies cutting down on emissions and selling their emission credits are happy to keep doing so because the profits they get from selling these credits are more than they would make from emitting carbon in the first place. The powerful force of greed is turned in on itself and turbo charges a trend to reduce carbon – not because it's the 'right' thing to do, but because it's the greedy thing to do. For example, American Electric Power (AEP) is the US's number-one coal-burning company. Now, it is chasing renewable energy projects in Chile and Bulgaria as a way of freeing up carbon credits it can then sell to its carbon-inefficient competitors.

As green exchanges expand more companies will follow AEP's lead and chase carbon efficiencies as eagerly as they now chase drilling rights and veins of coal. Should we care that these companies are not doing this to be 'good'? No. We should only care that the amount of carbon being emitted goes down as quickly as possible. The 'loser' in such a system, by the way, will be the last big company to get carbon-efficient. My guess is that that will be ExxonMobil.

If environmental groups made a basic understanding of financial markets more of a priority than good photo opportunities, then support for these new carbon-based financial products would spread around the world, thus ensuring their success.

Recommendation:
buy carbon credits.

Citigroup

How do you spell larceny? On 2 August a Citigroup bond trader working the electronic trading system known as EuroMTS sold €11 billion worth of bonds. Prices for the bonds crashed. But then Citigroup traders scooped up bargains, bargains that they themselves created, and pocketed an estimated €2m profit in less than 30 minutes.

I think I'll try this trick the next time I'm in Marks & Spencer. I'll scream 'fire' at the top of my lungs, grab a few abandoned trolleys, and then sell the food I steal for a 'profit' across the street.

Citigroup's name seems to pop up wherever allegations of fraud appear: Parmalat, Enron, you name it. Has anyone considered that maybe the problem is not these companies, but with their banker? And isn't Citigroup helping out vivisectionists? That's what I heard.

Recommendation: suggest to animal rights activists Stop Huntingdon Animal Cruelty that Citi finances vivisection.