



Bank industry analysts fall prey to the shrinkage

[By Louise Story](#) Published: November 25, 2008 International Herald Tribune

The analysts who make buy and sell recommendations about Wall Street banks have had a front row seat to the financial turmoil.

But now, some of the analysts who covered the carnage are starting to fall victim to it.

Goldman Sachs, Citigroup and Bank of America have recently axed analysts who covered some of their competitors. The analysts were particularly prominent within the industry because they were often quoted in Wall Street news stories and invited to meetings with bank executives. They were the voices who questioned executives on earnings calls, and they were often the ones casting most doubt on their field.

Now they join a growing pool of bankers and traders losing their jobs just before bonus time, with little hope of new employment any time soon.

"A lot of these analysts did not believe that they could get sacked," said Gustavo Dolfino, president of WhiteRock Group, a head-hunter in New York. "But just writing about the market doesn't mean you're making any money for the firm, that's why these analysts are losing their jobs."

Goldman was the first major bank to sack its banking analyst, William Tanona. Tanona, laid off Nov. 7, had worked there since 2005, when Goldman recruited him from JPMorgan Chase. He was one of the first analysts last fall to turn negative on Citigroup and to warn about Merrill's problems with its bundles of mortgages. A spokesman for Goldman declined to comment. In a note to clients, the bank, which is cutting 10 percent of its work force, said it was suspending coverage of his companies, which included Merrill Lynch, Morgan Stanley and Citigroup.

As the field of their competitors grows smaller, other analysts who still have their jobs said the cuts make sense because of the consolidation in the industry. At many banks there were separate analysts who covered commercial banks and investment banks. Now the lone surviving investment banks - Goldman and Morgan Stanley - have become commercial banks.

Last week, Citigroup laid off Prashant Bhatia, who covered a range of brokers and asset managers like the Fortress Investment Group, Merrill Lynch and BlackRock.

Earlier this fall, Bank of America dismissed Michael Hecht, who covered investment banks. A Bank of America spokesman declined to say whether it had begun eliminating overlapping workers among its ranks since it agreed to acquire Merrill Lynch in September.

Banking analysts were not singled out. Goldman, for instance, dismissed a dozen other analysts who covered other industries, including newspapers and industrial companies. In some cases, banks may choose to lay off senior analysts and promote lower-cost workers into their roles. "Analysts can be extremely high priced, so when you're looking to cut costs, that's a place to look," said William Fitzpatrick, an analyst at Optique Capital, an investment advisory firm in Milwaukee, Wisconsin. "But at the end of the day, given the amount of headlines that these companies attract, it's not clear to me why you wouldn't want the coverage there."