

## Now You See Them...A Vanishing Act for Stocks

EDITED BY JACK WILLOUGHBY AND MICHAEL VALLO

### Follow-Up | Dow Indicator | Preview

Harlan Cadinha is bullish on U.S. equities.

The chairman of Honolulu-based wealth manager Cadinha dwells on a phenomenon you wouldn't think of as upbeat: the shrinking number of public listings of U.S. companies. The World Federation of Exchanges reports that the combined number of companies listed on the New York, American, and Nasdaq exchanges swooned to 5,008 last year from a 1997 peak of 8,823—a 43% decline, or a loss of 238 companies on average each year. "Fewer stocks mean higher prices," he says.

Why the decline? Blame mergers, lots of private-equity buyouts, and an anemic initial-public-offering market. Also contributing are the Federal Reserve's ultralow interest-rate policies since the financial crisis, says Cadinha, and investors' aversion to equities after two major reversals during the past 14 years.

What has taken their place? For many investors, exchange-traded funds, which represent low-cost proxies for various groupings of stocks, have replaced equities.

Cadinha, a fourth-generation Hawaiian whose Portuguese ancestors emigrated to the archipelago long before it became a state, believes the next rush into U.S. equities will come from trillions of investor dollars, much of it in ETFs, repatriated from emerging markets. This will happen, he says, when investors realize the precarious nature of returns due to geopolitical and currency instability. "ETFs give the illusion of liquidity and low risk, when really, the liquidity can be no greater than the liquidity of the underlying assets," says Cadinha's chief investment officer, Neil Rose. Which explains why Cadinha is bullish on old-fashioned stocks.

### LAST WEEK

#### BACK FROM THE SUMMIT

The Dow Jones Industrial Average touched a record 16,580 Wednesday, then slipped to 16,512.89 by Friday's close, a gain of 0.93% on the week. The NASDAQ composite rose 48.34 points to finish at 4,123.90, an increase of 1.19%. The Standard & Poor's 500 gained 17.74 points to finish at 1,881.14, a 0.95% rise.

#### DRUG TALKS

Pfizer tried to restart merger discussions with British rival AstraZeneca, with an offer of more than \$106 billion. AstraZeneca rejected it. A deal could help Pfizer slash its tax bill by as much as \$1 billion a year by placing its headquarters abroad.

#### BOFA DELAYS BUYBACK

Bank of America postponed a share buyback and dividend boost, after an error emerged in figures submitted for the Federal Reserve's stress test. The error left the giant bank with some \$4 billion less in capital than it previously believed.

#### ECONOMY CRAWLS

U.S. economic growth sputtered in the first three months of the year, the Commerce Department said. Gross domestic product grew by a seasonally adjusted annual rate of just 0.10%, hurt by harsh weather (see Economic Beat).

#### UKRAINE RESCUE PACKAGE

The International Monetary Fund cleared a \$17 billion emergency-rescue package to avert a collapse of Ukraine's economy, in a rare moment of agreement between Russia and the West.

#### GE WINS IN FRANCE

Alstom, the struggling French conglomerate, accepted a \$13.5 billion bid by General Electric for its energy assets. It would be GE's biggest deal ever. The move was a setback for rival Siemens of

Germany, which French officials seeking a European buyer had pulled into the bidding.

#### APPLE SELLS BONDS

Apple sold \$12 billion of debt to eager investors, the company's second big sale of bonds in a year. Yields were less than a percentage point above those of Treasuries, a strong show of the market's confidence.

#### GOLD MERGER NIXED

After months of negotiations, Barrick Gold and Newmont Mining stopped merger talks amid a bitter war of words. Each side faulted the other for the collapse of the planned \$13 billion merger. Shares of both companies have been under pressure from declining gold prices.

#### TEXAS BLOWOUT

Dallas-based utility Energy Future Holdings, the biggest private-equity buyout ever, filed for bankruptcy, the result of an unfortunate bet on natural-gas prices and more than \$40 billion in debt. The former TXU is hoping to emerge from bankruptcy protection within 11 months.

#### HIGH COURT BACKS EPA

The Environmental Protection Agency won a major victory when the Supreme Court ruled that the agency can reinstate limits on pollution that blows across state lines, mostly from coal-fired power plants. Utilities had argued that amounted to costly regulatory overreach.

#### BANKING CRIMES?

Federal prosecutors are threatening to file criminal charges against BNP Paribas for allegedly skirting sanctions against Iran, and against Credit Suisse for allegedly helping clients avoid U.S. taxes, The Wall Street Journal reported. Spokesmen for the banks declined to comment.

E-mail: [editors@barrons.com](mailto:editors@barrons.com)