

>: Is Yahoo! Gaining on Google?

Monday, October 22, 2007 / Wayne Mulligan

Before I get into today's article, I wanted to reach out to a specific *Tycoon Report* reader: jester112358. You were one of the winners of the *Tycoon Report* Dinner contest, and we've been trying to contact you so you can claim your prize.

So please e-mail us at dinner@tycoonresearch.com at your earliest convenience.

Now, on with the show ?

I know I haven't been discussing stocks much lately, but I've been watching a developing situation for some time now and I just have to talk about it.

Google (Nasdaq: GOOG) has been knocking the cover off the ball for the last three years ? showing increasing revenues, profit margins and market share gains, quarter over quarter.

The company can't be stopped ... or can it?

The company that really started it all, Yahoo! (Nasdaq: YHOO), is on a mission to topple the search giant and reclaim its crown as the king of the Web.

Some people are skeptical. Some people think that Yahoo! just doesn't have what it takes to reach the scale and success of Google in the search advertising business.

But this writer thinks that "some people" are wrong. Let me tell you why:

First, in a [recent study by Compete.com](#)

Yahoo! has shown to consistently get higher click through rates on its search results. Meaning, if you go to Yahoo! and type in a search term, you're more likely to find a result that strikes your interest than on Google. This essentially means that Yahoo!'s search results are getting to be more *relevant* than Google's.

Now if this study is accurate and Yahoo! can start delivering better search results, the company will also start to get a larger share of the search market, which means a larger share of the search advertising business.

And while Yahoo! continues to gain a larger share of the search advertising market, the company is also monetizing its searches better with its new Panama program. This was Yahoo's response to Google's successful AdWords program that has made it the runaway success story of this decade.

Is Yahoo! a Buy Right Now?

As far as buying the stock right now, I still see some risk.

For one thing, Google isn't a competitor to be taken lightly, as we all know how well they've executed in this space.

But more importantly than that, Yahoo!'s stock price is approaching a long term resistance level of \$30 - \$31 per share.

However, if the stock breaks that level on significant volume, then I'd be a big buyer with a price target of roughly \$40 per share.

Definitely keep an eye on this situation, because I certainly haven't written Yahoo! off yet, and neither should you.



Wayne Mulligan

Chief Investment Officer

≥

Wednesday, October 24

10:00 - Existing Home Sales (for September): Consensus 5.30M

Big Picture: Home resales reached a five-year low in August after six monthly declines, and there is no evidence of any stabilization. The weak sales pace left an extraordinary 10-month supply of inventory -- a new cyclical high. Prices don't reflect the -25% decline since the record high in mid 2005, as median prices are just above the year ago level and average prices are just below. We expect prices will have to show a 5% - 10% decline to clear inventories. Existing sales include condos/coops which make up about 1/8 of the total. The upturn will be slow, as sub-prime foreclosures add to already bloated inventory.

Implications: The name speaks for itself: this report provides a measure of the level of sales of existing homes. The report is considered a decent indicator of activity in the housing sector. Housing starts precede this report each month, but starts are a supply rather than demand-side indicator. Existing home sales precede the other key demand-side indicator of housing -- new home sales -- thus boosting the visibility of this report. Sales are highly dependent on mortgage rates, and will tend to react with a few months lag to changes in rates. Sales are also determined by the level of pent-up demand for housing. Immediately after a recession, sales are typically quite strong due to the demand which accumulated through the recession.

Thursday, October 25

8:30 - Durable Orders (for September): Consensus 1.5%

Big Picture: Durable goods order growth has returned, as core capital goods (read business investment) has faded. The volatile components can swing sharply, but suggest a return to slower business investment as seen in late 2006. July durable goods reached a record high, given the surge in aircraft and vehicles. The risk ahead is that a weak economic growth outlook delays orders and slows manufacturing output, thereby further slowing the economy. Strong corporate balance sheets, high capacity use and rising exports remain strong underlying factors.

Implications: The durable orders release measures the dollar volume of orders, shipments, and unfilled orders of durable goods (defined as goods whose intended lifespan is three years or more). Orders are considered a leading indicator of manufacturing activity, and the market often moves on this report despite the volatility and large revisions that make it a less than perfect indicator. These problems can be minimized by looking at the breakdown of orders. The total number is often skewed by huge increases in aircraft and defense orders.

An increase based solely on strength in one sector tends to be discounted, while the market is more impressed with broadbased increases in orders.

8:30 - Initial Claims (for 10/20): Consensus NA

Big Picture: Weekly initial claims can be volatile, as the trends reflect some easing in the tight labor market. Layoffs (seen in initial claims) remain subdued, given the lean supply of available workers as hiring (seen in continued claims) has cooled, as reflected in the 20-month high in the early September 4-week average and the slower growth in payrolls. Claims provide a nearly real time read on layoffs and the labor market, as the low 4.7% unemployment reflects the broader combined read of layoffs and hiring.

Implications: Initial jobless claims measure the number of filings for state jobless benefits. This report provides a timely, but often misleading, indicator of the direction of the economy, with increases (decreases) in claims potential signalling slowing (accelerating) job growth. On a week-to-week basis, claims are quite volatile, and many analysts therefore track a four-week moving average to get a better sense of the underlying trend. It typically takes a sustained move of at least 30K in claims to signal a meaningful change in job growth.

10:00 - New Home Sales (for September): Consensus 785K

Big Picture: New home sales reached a 7-year low in August as the downward trend continues. The National Assoc of Realtors expects new home sales to trough in Q4, but revisions continue to move lower as the subprime mortgage mess worsens. Unsold inventories are near the 8.3 month peak of March. Prices are beginning to reflect the lack of demand and bloated inventories as they fell -7.5% yoy. New construction is waiting for any sense of stability to signal that the end is near -- nothing yet, as prices need to fall further to clear inventory and get the sector back on its feet.

Implications: The report indicates the level of new privately owned one-family houses sold and for sale. New home sales usually have a lagged reaction to changing mortgage rates. They also tend to be stronger early in the business cycle when pent-up demand is strong, and they fade later in the cycle as the demand for housing is sated. In addition to home sales, the market monitors the number of homes for sale relative to the current sales pace. As this inventory measure falls (rises), housing starts tend to rise (fall). Finally, the median home price provides an indication of inflation in the housing sector, though only year/year changes provide any meaningful information.

Friday, October 26

10:00 - Michigan Sentiment-Rev. (for October): Consensus 82.5

Big Picture: The push to a two-year high in January was largely tied to the drop in gasoline prices. Volatile equity prices, falling home prices and economic fears have pushed the index down by 15% since. The University of Michigan survey is significantly smaller (500 phone calls, just 250 in preliminary) than the Conference Board's, includes a longer outlook (for expectations) as questions are focused on the household compared to the business-heavy CB survey. The index far better tracks the consumers' mood than spending

habits, better indicated through interest rates and income growth.

Implications: The Michigan index is almost identical to the Conference Board Consumer Confidence index, though there are two monthly releases: a preliminary and final reading. Like the Conference Board index, it has two subindexes -- expectations and current conditions. The expectations index is a component of the Conference Board's Leading Indicators index.

Source: www.Briefing.com