Don't place bets on newsletter tips

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WASHINGTON (Reuter) - Many investment newsletters about the U.S. stock market appear to be worth less than the paper they're printed on, according to two university professors.

John Graham, of the University of Utah's Eccles School of Business, and Campbell Harvey, of Duke University's Fuqua School of Business, analyzed 237 newsletter strategies covering periods between 1980 to 1992.

WERE ANALYZED

About 100 newsletters were analyzed, with some offering more than one investment strategy.

The results: There's less than a 25 per cent chance that if you act on the advice, you'll ``beat" the market.

``If it's a choice between a buy-and-hold strategy and a newsletter strategy, take a buy-and-hold strategy," Harvey said in an interview.

The professors analyzed how the publications advised readers to allocate, or ``weight," their money between stocks and cash - the latter invested in short-term U.S. Treasury bills. Here are the findings, published by the National Bureau of Economic Research:

* Less than a quarter of the strategies advocated by the newsletters, which cost up to $200 (U.S.) a year, scored a better return than an investor who bought and held a ``passive" portfolio.

* ``Very few" beat the Standard & Poor index of 500 stocks.

* A newsletter's poor past performance is a good indicator that future performance also will be poor. Good past peformance typically is a sign of good future performance.

The study said well-known newsletters had bumpy records.

It said a client either could have lost 5.4 per cent a year, or earned 12.5 percent a year, from mid-1980 to well into 1992 based on Joseph Granville's advice - depending on how a reader interpreted Granville's ``sell signals."

A reader could have lost 14.8 per cent a year from December 1985 to November 1992 based on advice from Robert Prechter. The Prechter newsletter - depending on how the sell signals from his timing system were interpreted - also yielded yearly gains of 10.8 per cent from July 1980 to October 1992.

TRADING FEES

The returns take account of the trading fees associated with the strategies advocated by Granville and Prechter.

Granville contended his recent advice has been on the money, saying among other things he picked the strong move in gold and silver stocks in the summer of 1994.

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