Standard Research Internship 2015

Standard Research is an Investment Research firm, which sells its research to different financial services companies. This summer I worked for Mr. Thomas Landstreet, who is one of the owners of the company. The main focus of Standard Research is to study government policy that will be put in place, or taken out of place, and determine the effects it will have in the market place. Then, the research is sold to institutional investors, hedge funds and other firms in the financial services market. He is also the largest contributor to Forbes.com, and is now writing for Forbes.com and Forbes Magazine.

Mr. Landstreet spent time earlier in his career working for Art Laffer, which is where he sharpened many of his beliefs in supply side economics. As Mr. Landstreet says, the government is the 800 pound gorilla in the economy. In farming, droughts come and go, but government policy creates more change than any drought could ever create. This same principle can be placed on any market in the economy and is the principle on which his company is run. In total, with any change policy there is a change in where incentives are available and if you can find these areas, you can capitalize on them and make money.

As interns, we helped Mr. Landstreet research the themes that he was investigating. No matter the segment of the market, we basically took the same approach to researching it. We researched the government policy and other factors influencing changes and then attempted to understand where we would see market changes. Once we determined which sector would be influenced, we analyzed the companies within that sector. We looked at their historical stock price charts, quarterly performance versus expectations, read annual and quarterly filings,
listened to investor conference calls and read presentations. We also looked at the EPS and P/E ratio. Lastly, we would try to decide which companies would be a good long strategy and which would be a good short strategy. As interns, we were very instrumental in each step of this process, including the publishing of the research. Mr. Landstreet takes a lot of time to help teach his interns and to make sure they are doing quality work. You will not “shred paper” in this internship, you will always be creating quality data and reports that he will use every day.

The first theme that we investigated was protein and corn. The prices of beef, pork and chicken are directly related to the price of corn. The Energy Act of 2005 followed by the Energy Independence and Security Act of 2007 decreased the total U.S. corn production for food by 40% because of ethanol. By 2012 corn reached almost $8 per bushel, which was up $6 from its historical average of about $2. This massive inflation of corn prices drove the price of beef, pork and chicken up, since corn is about 80% of the cost in raising protein. So, after two pieces of legislation, a large swath of the food economy was majorly changed to an extent greater than any climate change or disease has ever done before.

After understanding these changes, we looked at how investors could benefit and how they could protect themselves from being hurt. Basically, we started looking into restaurants’ percentage of protein in COGS. For protein producers, we looked into each protein as a percent of sales. In both cases, protein producers and protein sellers, we tried to get an idea of how a decrease in prices would affect the respective businesses. Mr. Landstreet then took this information and informed his clients. Nelson Jetmundson drafted an article on this subject, which was edited by Mr. Landstreet, and then posted it on Forbes.com
Another theme that we looked into was oil prices. Currently there are moratoriums against drilling on all federal lands and most off shore lands in the U.S. However, that is in the process of changing, and it will have a dramatic effect on the U.S. economy. Also, just across our borders in Mexico, their government has only allowed Pemex to drill in Mexico for the past 77 years. Effectively, Mexico created a moratorium as well since Pemex does an extremely poor job at exploiting its resources. However, this summer Mexico auctioned oil fields in their Gulf Coast to outside companies for the first time since 1938. They will continue to auction off more lands within the next five years. Although many people are not talking about it yet, opening up sections of the Atlantic OCS and Mexico becoming privatized can bring billion of barrels per years to the US that have been unavailable for a long time. Most of this oil is in shallow water and easily accessible, making it very cheap. This summer I did research on the most up to date aspects of U.S. permitting of the Geological and Geophysical analysis of the Outer Continental Shelf and I followed the Mexican oil auctions closely. I then drafted an analysis of these happenings, which Mr. Landstreet edited, and posted them as an article on Forbes.com

I looked into the orthopedic implant market a little bit as well, which is driven by a few big players, selling overpriced prosthetics. Previously, these companies had patents allowing for high prices. After these patents were up, the big manufacturers bound the hospitals in so that they could continue to sell at high prices. However, the transition to “generic” prosthetics is beginning to happen. One driver is the new change to bundled payments in Medicare policy and the other is the expiration of the patents. Together, they are leading to cheaper orthopedics as hospitals
realize they don’t have to pay as much for the same product. Lastly, we researched the large manufacturers of orthopedic implants to determine which could be hurt by this change.

Lastly, I helped Nelson looked into cloud computing. There is a major shift from companies buying large servers and systems that are physically installed, to using cloud computing. It is a major shift in the technology sector, which is hurting traditional companies selling systems, and allowing for rapid growth to companies excelling in cloud computing. Although it is a big mix up in the industry, it is the only big change that we are following that is not driven by policy.

I learned a lot about reading annual reports of companies and understanding their financial statements. I also gained a lot of understanding about the stock market. We listened to many quarterly conference calls and gained an understanding about why companies stocks can fluctuate frequently. This summer I was able to become published on Forbes, and understand how to write effectively to that audience. Similarly, I learned how to effectively prepare for an important phone call or leave an effective voicemail, and got experience doing this. I also learned that there is a lot that I do not understand. Lastly, this internship taught me a lot about the overall picture of the economy, and how changes in incentives drive the economy. I believe it is a great base to stand on for a large variety of jobs in the future.