Written by **Bob Adelmann** on July 12, 2023

Wall Street Sours on Fox

Most of the buzz on Wall Street on Monday was about an analyst at Wells Fargo issuing an "underweight" rating on Fox stock (FOXA).

Wells Fargo stock watcher Steven Cahall not only issued the downgrade, but also reduced the price target for the stock. Wrote Cahall: "Fox [Corporation]'s earnings are mostly Fox News earnings, and Fox News is facing viewership and share pressures … [so] we find our estimate outlook more negative and below the Street."

He based his opinion on hard evidence:

> Fox News was 52% of cable news primetime viewership for 2020-22, 51% in Jan '23, and that has slid to a low of 38% in June '23 post-Tucker Carlson.
>
> Fox News' share of conservative news viewers has fallen from 94% to 84%.

And because Fox News is Fox Corporation's cash cow, generating 80 percent of the parent's earnings before taxes, Cahall is not the only Wall Street analyst warning investors about holding the company's stock.

Thanks to the departure of Tucker Carlson, Seeking Alpha has put a "hold" rating on Fox stock, while Bank of America downgraded the stock from "buy" to "neutral," and reduced its price outlook as well.

Argus Research cut its rating on Fox from "buy" to "hold," while the United Kingdom's Barclays gave Fox an "equal" rating and cut its price target.

Rosenblatt Securities also reduced Fox stock's outlook to neutral and lowered its price outlook.

And Morgan Stanley reduced its price target on Fox.

Seeking Alpha went one huge step further: It dropped its estimate of Fox's "enterprise value" by one-sixth, or 16 percent, lopping billions off the parent company's pre-Tucker value.

Wells Fargo expanded on its downgrade of Fox: "During its 8 p.m. hour, the network has dropped from a three million viewer average to a 1.65 million viewer average since the departure of Tucker Carlson."

Wall Streeters consider such a downgrade as a "sell," especially in portfolios that hold large positions in the stock. An "underweight" rating means exactly what it says: an investor should sell, or reduce significantly, his position, as there are better places to put that capital to work. Analysts read the downgrade as an opinion that Fox stock will underperform its peers for the foreseeable future, with its expectation of poor performance continuing until a major change is made to revise upward the stock's expected returns.

At the moment that "change" isn't visible. Shuffling the cards in Fox's deck — i.e., moving some of the present voices and talking heads from one time slot to another — is not likely to change or improve the company's performance anytime soon.

The problem facing Fox is that its cover has been blown. Carlson shielded viewers from the reality that it is a leftist news organization reflecting the ideology of its new manager, the liberal son of Rupert Murdoch. Once Carlson was fired, there was (and is) no way for the news outlet to continue to promote the myth that it is "conservative" in its views and outlook.

It is, in other words, with the departure of Carlson, exposed as just another leftist news outlet promoting the "question du jour" in line with the other mainstream outlets.