

Will there be another down-leg to the recent market correction? Quite possibly, says Forbes Magazine's Portfolio Strategy columnist and Fisher Investments chief executive Ken Fisher, but what is certain is this year's action has been bullish and an up-leg will follow

Correct me if I'm wrong

The May/June correction convinces me of a material up-move ahead. Mind you, I'm not sure the correction is over yet. But what is certain is that following it will be another bull market up-leg before any real bear market can come. But why is this?

Correction and bear market action are very, very different. Corrections spike like an

inverted V: up and straight back down, steep and over very quickly **BULL MARKETS, AS THE** - anywhere between one month and four. And, to accompany it, there is always a weird, irrefutable story to san equity enthusiasm ble story to sap equity enthusiasm that seems silly six months later. WITH A WHIMPER NOT Sometimes the correction is one simple down-leg to a bottom with WITH A BANG". one silly story. Other times it is made up of two legs creating a double bot-

two non-related silly stories.

Bull markets, as the legendary saying goes quite correctly, "die with a whimper not with a bang". The only real 20th century exception was 1987, which in some ways was simply an oversized correction because it was over so fast - too quickly to sell out of. But, for example, 2000's peak was a classic rolling top, dying with no bang. While it peaked in March, for more than 10 months up to September 2000 the MSCI World index didn't move outside of a 9% bandwidth, slowly churning for six months past the top before really bolting down.

tom one to three months apart, caused by

Bull markets don't die of heart attacks, they wear out. Corrections, on the other hand, are minor heart attacks.

This time the World index was down 11.5% peak-to-trough in five weeks in one leg - classically, corrections are 10%-20% - with the story about new US Federal Reserve chairman Ben Bernanke. It reminded me greatly of the 10.4% world market correction two months after Paul Volker assumed the Fed chairmanship in 1979. Single story, over and done. This time there could be another leg and story. North Korea, perhaps, or the US mid-term elections.

But this year's action has been bullish for its aftermath and you should keep posturing for that next bull market up-leg with stocks of good firms that are too cheap, such as the following:

You need not expect much in order to do just fine with Australia's Telstra, the country's dominant telecom firm both in

> wireless and landline communications. At 12 times this year's earnings and two times revenue it is cheap enough to be taken over by a foreign competitor seeking turf. Meanwhile, it sports a fat dividend yield that should exceed 7% this year before specials.

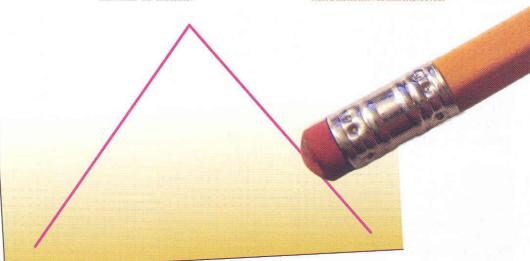
I recommended France's Suez Lyonnaise here in September, 2005. It is up more than 40% since then but should still have more room to run. Its utility operations have greater resource mobility than most competitors, a fully international scope spanning continental Europe

and the Americas. It is also the world's second largest water treatment firm and a low-cost producer. Its growth continues to exceed consensus expectations while the stock remains too cheap at 17 times earnings, merely 80% of annual turnover and what I expect will be a 4% dividend over the next 12 months.

US company Entergy will either get its own stock up soon or someone will do it for them. This electric utility has a solid core business but isn't growing much. Yet there are no material holders or control positions to block a hostile takeover. At 15 times this year's earnings its takeover can be easily financed by borrowing money, buying it and then cutting the 3% dividend. With a nice position in nuclear, a logical buyer would be sector powerhouse Exelon. But literally a dozen others would find its acquisition advantageous.

Something that isn't too popular is Popular, the largest bank in Puerto Rico. Reflecting its falling popularity the stock is down 30% in the last nine months while the global market is up 15% - that's a 45% relative decrease. But it is also now cheap enough to be taken over by regional, national and global US banks. Its boutique operations on the US mainland, which can be consolidated, add to that appeal. With an 8.3% after-tax earnings yield, any BBB-rated, medium-quality borrower can buy it with a 4% after-tax cost of capital, bid Popular up by 25% in the takeover and still pick up more than a 3% spread as free money.

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