Forbe's Magazine's Portfolio Strategy columnist and Fisher Investments chief executive Ken Fisher says that the fourth year of US presidential terms are traditionally good ones for the markets and therefore expects 2004 to follow the trend set in 2003 – that is, shares going up, up, up

The only way is up – again

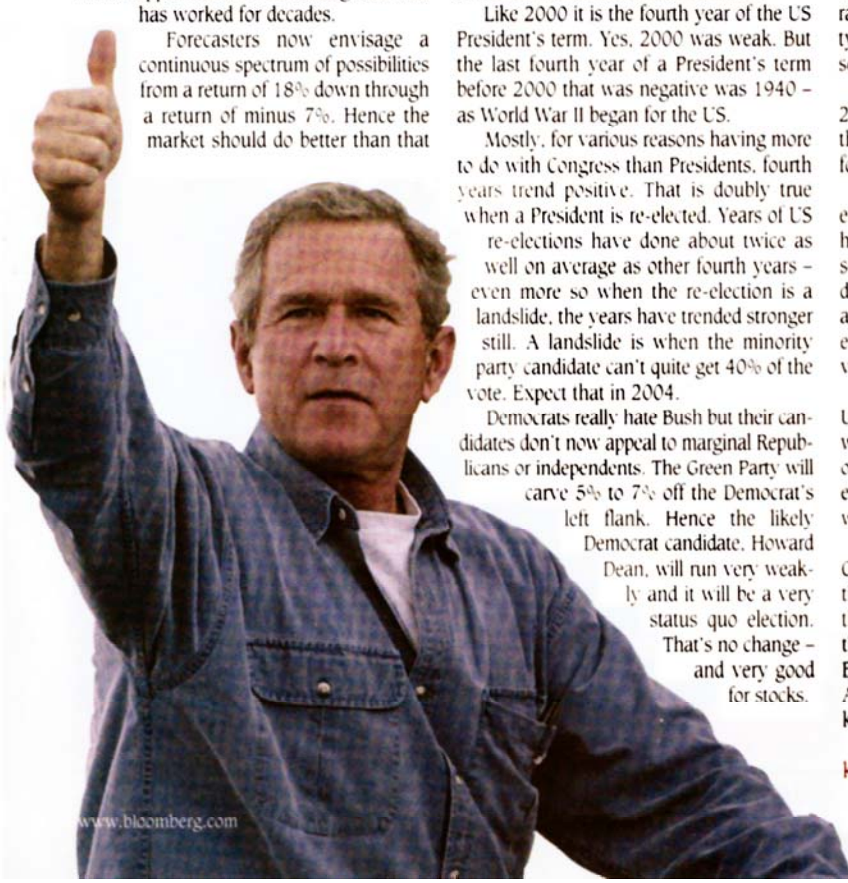
Expect another great year in the stockmarket – maybe not as great as 2003, but great nonetheless. This time last year, this column said: "Expect 2003 to be a great stockmarket year – among the best ever. I forecast the market will be up 40%." So, I was too optimistic. The Morgan Stanley World Index was only up 33%. But it was great and 2004 should be too.

As detailed in many past columns, the market never does what everyone expects. It doesn't do the opposite, just something else – either better or worse. What they agree on has already been priced into the market and therefore can't occur. This is basic market theory. As a technology, figuring what everyone forecasts and knowing it won't happen but that something else will, has worked for decades.

Forecasters now envisage a continuous spectrum of possibilities from a return of 18% down through a return of minus 7%. Hence the market should do better than that or worse. I bet better, although maybe not much better. Hence my forecast is for the world stockmarket to be up 20% in 2004.

Early on, technology should continue to do well. It still has too much momentum not to lead although it will probably give way to other areas by the middle of the year. Germany should again outpace the world. The reform movement towards liberty and tax cuts is strong there but German forecasters are dour – a potent combination. The Chinese market should implode before the year-end, a mini-bubble waiting to burst. Despite that, Japan should do better than the world market. That will surprise. And the US should have another good year where, like 2003, the dollar-adjusted value of the US market beats the FTSE 100.

Like 2000 it is the fourth year of the US President's term. Yes, 2000 was weak. But the last fourth year of a President's term before 2000 that was negative was 1940 – as World War II began for the US.



Mostly, for various reasons having more to do with Congress than Presidents, fourth years trend positive. That is doubly true when a President is re-elected. Years of US re-elections have done about twice as well on average as other fourth years – even more so when the re-election is a landslide, the years have trended stronger still. A landslide is when the minority party candidate can't quite get 40% of the vote. Expect that in 2004.

Democrats really hate Bush but their candidates don't now appeal to marginal Republicans or independents. The Green Party will carve 5% to 7% off the Democrat's left flank. Hence the likely Democrat candidate, Howard Dean, will run very weakly and it will be a very status quo election. That's no change – and very good for stocks.

The overwhelming consensus of forecasts is for interest rates to rise markedly in 2004. When that doesn't happen, it will surprise. There will be too much Asian money creation rippling out around the world to allow rates to rise. The US in particular will see a strong economy and have rates subsidised by an Asian sea of liquidity. Europe will see this trend too, but less so. Still, it's all very bullish.

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There will be more pleasant surprises as 2004 unfolds and I'll describe some of them next month. Meanwhile, enjoy the following stocks.

Manpower is a $6bn (£3.4bn) US employment staffing firm. As the US keeps heating up, Manpower should look cheap soon. It has a high price/earnings ratio from depressed profits but sells at only 30% of annual revenue. A minor increment of revenue growth from here should turn it into a very low price/earnings play very soon.

Principal Financial Group is a diversified US non-bank financial services firm and will either pick up the growth pace this year or be acquired. It is more than cheap enough yet has a great sales organisation with fully 13 million customers.

German biotech manufacturer Altana Group should see a pick-up in its therapeutic products for gastric diseases and with it the stock. Finally – less exciting but worthy – buy German chemical and drug giant Bayer and take two aspirin. No headaches. A great year. Let the rest of this bull market serve you.

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