



Forbe's Magazine's Portfolio Strategy columnist and Fisher Investments chief executive Ken Fisher believes investors' reluctance to be positive on the global outlook is unfounded as interest rates are still low, the dollar isn't plummeting as much as expected and there is good news from the Asian markets

Putting on a happy face

This year folks have been off track from day one. As earlier columns detailed, the January forecasts converged on a tepid stockmarket, roundly rising interest rates and a plummeting dollar. That isn't working out.

Global interest rates are down slightly – both in the short and long term and particularly in the US. The dollar is flat to up, depending on which global measure you measure – unless, of course, you think in sterling. Yes the dollar is down to sterling and the yen but up similarly against the euro, the rest of the world and overall. It isn't plummeting as expected. Few notice.

Yes, sterling is strong. But that is simply because Britain maintains perversely high interest rates. If you want to feel less secure about sterling, note that it is flat to the Russian rouble.

And the global stockmarket was up nicely in the first quarter – unless, again, you think in sterling. In dollars, the MSCI World index was up 2.6%. Even the FTSE 100 in sterling was up a hair.

Compare that to the same time last year. The market is now more than 7% ahead of where it was then, year-to-date, meaning it was 5% negative then. From there, therefore, if stocks could be up so much last year, what should be so hard from here, now, in putting together a smaller but still very nice total 2004? Like 20%.

One big surprise this year will be the degree to which Asia will be forced, literally, to print huge quantities of money. This will then ripple globally from the countries of origin, through Japan as a gateway, continuing a strong yen, and leading to a much faster growth in the global money supply than people expect.

Asian countries have vastly lower velocities of money than western nations (remember that money supply times velocity or its annual turnover equals gross domestic product). That means a larger money supply relative to gross domestic product and a larger impact than expected on the world.

No one notices this. They have printed money much faster than their gross domestic product growth for years. To slow now would cause recession. Hence they continue – but now from a much higher base relative to the world. China grew its money supply 20% last year and has a vastly larger money supply than Britain. Japan's monetary base is bigger than that of the US. This year this effect will cause vast excess unexpected liquidity by the end of the year, which will drive stocks higher.

After 2000-2002, investors still have a tough time putting on a happy face. But these are happy times – the best of worlds. Enjoy! To help you be happier, buy stocks such as the following.

Everyone thinks consumers are tapped out but they're not. That means automobile-related

stocks will do better than people expect. Germany's Volkswagen is the world's fourth largest carmaker by sales but only eighth by market capitalisation resulting in a skimpy 0.22 price-to-sales ratio. That will improve.

Volkswagen leads a revolution in German labour relations – in 2003, it was the first company in 50 years to successfully stare down the mighty IG Metall union. Germany is going through a social rebirth as the younger generation leads society away from its union mentality and towards a more productivity-oriented economy. Nobody will benefit from that rebirth more than Volkswagen.

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If car companies do well, parts companies should do better. TRW Automotive in the US is one of the world's largest auto component makers but trades at a paltry 0.17 times annual revenue. Having just gone public after a 2003 leveraged buy-out, this leader in braking systems, air bags and steering wheels is steering in the right direction and won't brake anytime soon. (It is also strong in aerospace and defence products). The £1.2bn market capitalisation stock is just about to be rediscovered by the global investor world. You can do it first.

Similarly, the US's Snap-on is a leading producer of tools and diagnostic systems for auto repair shops globally. They make a full line of products, which isn't unique, but the group is better at marketing and sales than the competition and so will pick up more of the pick-up in business and with it the stock. This is a very good company with a below-average growth history that is about to improve.

