Global markets are up since the start of the year, says *Forbes Magazine*'s Portfolio Strategy columnist and Fisher Investments chief executive Ken Fisher, which means we should be in for a bumper 2006

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Life in the old bull yet

Thinking beyond Britain will help you see we have more bull market to go. Whenever the whole world market has had a big first quarter there has always been more bull to follow. The best measure of developed global markets is the MSCI World index, which rose 6.6% in the first quarter of 2006.

There have been 15 other times in its 37-year history when first quarters were up 4% or more. Each of those years saw double-digit calendar year returns, ranging from 12% to 43%.

Only two of their second quarters were negative and then not very. And only one of those years saw a negative last nine months (1987, which had a very strong second quarter). Strong global first quarters were always followed by some continuing momentum through the year.

To find a negative calendar year return you have to link it with a first quarter with a return below 2%. Otherwise they have all been positive. (The exact reverse isn't true. A negative first quarter does not ensure a negative year but does increase the odds by about 50%.)

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For the whole world to start out of the gate very strongly means there is some big global force at work. As I have been writing since late 2004, I think it is that stocks are at near record levels of cheapness relative to long-term interest rates.

This is driving corporations to borrow and buy back their own shares and to take over peers in total, leading to a drastic shrinkage in the supply of equity and driving prices up. But if you do not think globally and confine your thoughts to a single country, you still are often apt to miss fully feeling that force.

Take the US, for example. If you ask what has happened after the S&P 500 has had first quarters that were up more than 5% – or 4% or even 3% – you get a slightly more ragged but similar outcome. It is more hit and miss than the world in this regard because single countries are simply more variable. Some years they lead a lot and other years lag. The laggards can really throw you off. As a smaller market this is even more true in Britain, but the same basic pattern is there. The key is to think globally.

Currently stocks are doing better outside the US and Britain. That should continue. The US is not as cheap as the rest of the world and both the US and the UK have higher interest rates and flatter yield curves than the rest of the world, causing us some drag relative to overseas. Also, sentiment is currently less buoyant outside the English-speaking nations than in them, allowing them to have more sentiment pick-up – parallel to a bull market.

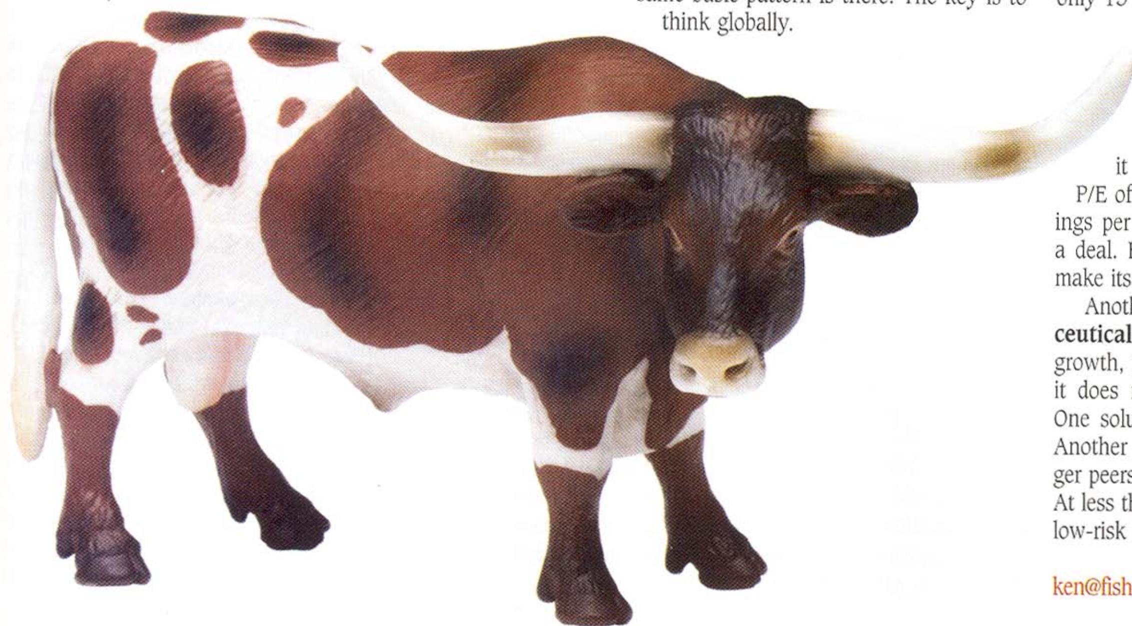
So take heart from 2006's strong first quarter and buy into the year, thinking and buying globally with good foreign stocks like these to augment your British portfolio.

Created by the merged agricultural businesses of AstraZeneca and Novartis, Swiss-based **Syngenta AG** is a global leader in seeds and crop protection, both growing areas as less developed nations emerge. Its price/earnings ratio is a mere 16.

Germany's **Bayer** is thought of as a low-end materials giant but is also gigantic in crop protection and strong across the board in healthcare, the two making up two-thirds of revenue. At 12 times 2006 earnings it is way too cheap. Its R&D is so high it sells at only 15 times research expense.

American broad-based insurer **St Paul Travelers** thinks it is too big to be taken over but it isn't. If it does not buy back enough stock to drive it up, someone hostile will. Its P/E of eight ensures the acquirer's earnings per share would rise materially from a deal. Buying back its own stock would make its own EPS rise.

Another American firm, **King Pharmaceuticals**, has good branded products, growth, profitability and is aggressive. But it does not have a diverse product line. One solution: take only a small position. Another solution: any of many much bigger peers could add it to their product line. At less than 15 times 2006 earnings it is a low-risk bet.



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