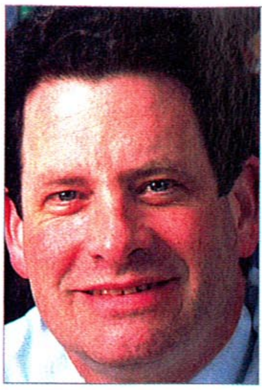

Forbes Magazine's Portfolio Strategy columnist and Fisher Investments chief executive Ken Fisher asks the industry doomsayers to stand up, be counted and admit to being wrong. Sentiment is at a low ebb and the global economy is weak, but Fisher believes the bull market will continue

The bears that cried wolf

Where are they now? In hiding? I mean the plethora of big-time bears who one to three years ago insisted global markets would implode because the dollar would drown, tied to gargantuan US trade and current account deficits – and with that implosion would come skyrocketing long-term interest rates as non-Americans would no longer finance from kindness the US's profligate ways.

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And where are those who feared the big US federal budget deficits would do it? Or thought rising prices of oil and steel would do it? Can they be the same bears now saying oil's and steel's falling prices will do it? You can't have it both ways! What about those who insisted valuations were too high then for double-digit annual market gains since?

As global GDP growth continued and global long-term interest rates remained flat and global stock prices ground ever higher, who admits to being exactly wrong? I've been too bullish – to be sure. But at least I've been on the right side of the market.

Sentiment is as low today as in mid-2003. Pessimists predict a weak economy tied to housing being weak, although they have called for a "housing bubble" to burst for three-plus years while prices rose. Now that housing prices are mellowing it is interesting it isn't a burst. Bears believe the consumer is tapped out, again, after believing it for years while consumers keep shopping. Pessimists have long proclaimed that the economy can't progress while the US fails to save materially.

But the US's savings rate data series is meaningless. It doesn't count the ways Americans save, which primarily is capital gains and investments in their homes. According to the savings rate data, Bill Gates became the world's richest man by never saving anything but maybe a slice of his small salary – because everything else was in Microsoft, and as it saved, he didn't. Supposedly I got on the Forbes 400 the same way, by never, ever saving. Then, too, the US savings series imputes a fictional £650bn per year of rent that homeowners are "charged" for living in their homes that they never spend. Include home ownership savings and capital gains and the US has a super savings rate.

If the bears ever capitulate, admit being wrong and commit to buying, global stocks will be inconceivably higher. Almost all of the last 40 years the British 10-year gilt rate has been above the inverse of the FTSE index P/E. Today it is 3.75% below. (See my March column for details). To get back to historical normality without higher gilt rates would require the FTSE to be a whopping 75% above where it is now. I don't expect that immediately. But I expect more bull market ahead and more of the same folks being exactly wrong again.

Switzerland's **Adecco** is number one or two in temporary staffing in most major nations. While the global economy continues growing more than previously expected, cautious employers feel forced to react but are sceptical of the economy's staying power, and react by hiring temporary instead of permanent workers. Adecco is the immediate beneficiary. It is cheap at half of annual revenue and 17 times earnings.

As one of China's largest telecom firms, and after years where the Chinese stockmarket did badly, it is now time for stocks like **China Netcom Group**. With 120 million voice customers and 13 million broadband customers it is also one of the world's largest such firms. Yet it sells at only seven times trailing earnings.

US-based **First Horizon National** is a south-eastern regional bank with a great franchise that isn't optimally managed. At 12 times trailing earnings and about eight times what a better management could earn, this stock is a ripe takeover target by any of the bigger more wannabe fully national banks that need entry into the deep south. While you wait you get a 4.6% dividend yield.

Here in Britain, **Tompkins** pays a fat dividend of more than 5% and is a stock I think of as worth more dead than alive. Were its divisions specialising in auto equipment, building products, consumer products and fluid control all sold off I'm convinced it would generate twice the current price with little risk. Something good will happen here.

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