



*Forbes Magazine's* Portfolio Strategy columnist and Fisher Investments chief executive Ken Fisher says British defiance after the London terrorist attacks has carried through to the stockmarkets – both in the UK and globally

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# Markets refuse to be rattled

Yes, I know this sounds controversial but the terrorists did one positive thing in London. They proved that a major terrorist attack no longer crumples the stockmarket. Not even a ripple. This is great news because, ever since 9/11, the view was widespread that subsequent terrorist attacks on western soil would weaken world markets. The Spanish 2004 attack partially confirmed that view although the market's decline very quickly reversed.

Of course, attacking Britain with terrorism is something only fools can envisage as potentially successful. If the British soul couldn't be bowed by Hitler or the IRA it takes a pretty arrogant terrorist to see victory. Not all of the world possesses such a stiff upper lip but, fortunately, the recent tragedies yielded no lip quiver at all in global markets anywhere.

Suddenly people know through real life experience that we've braced ourselves for terrorism long enough and hard enough that it now takes something truly unusual in the way of terrorism to knock markets. And the more unusual the more unlikely it is. The market has already discounted into pricing some otherwise pretty horrid behavior. Now we can get on to other things.

One risk is the sort of fear that will arise if George W Bush's pick to replace Alan Greenspan as chairman of the US Federal Reserve is bumble-headed. That could be a big blow to markets. In history, bad Fed head picks have been priced downward fast. We've heard little from the White House on who is seriously considered and the time is quickly approaching for an announcement. And, worse, Bush's overall appointments have been very hit-and-miss. This is the sort of market concern I most fear now.

Still, as I've written all year long, I'm optimistic and hopeful we will get through that risk. And others too – I see most things this year coming in on the positive side. So I'm looking to own great stocks like the following.



**Williams-Sonoma** is fast becoming the US's one-stop shop for home decorative and kitchen needs. In July, I detailed why, despite what everyone says, there is no housing bubble. Hence Williams-Sonoma is a housing contrarian's dream. The firm runs five retail store concepts that yield heavy customer loyalty. It also generates almost half its revenue off a successful direct-to-consumer catalogue and internet model. The stock combines growth with moderate valuations at 1.4 times annual revenue and an earnings yield comparable to a 10-year bond.

**Mine Safety Appliances** leads the world in sophisticated safety products that protect those in hostile environments such as construction workers, firefighters and the military. From gasmasks to combat helmets, toxic detection instruments to chemi-

cal warfare analysis, the firm's products are in demand wherever workers run risk.

As incomes rise globally, demand for safety increases and, with leading global market share, a diverse customer base and distribution throughout 120 countries, this US-based firm will catch the lion's share. New products introduced over the last three years account for a third of sales. This is a classic growth firm at moderate, market like valuations.

Yes, France's **Suez Lyonnaise** built and operates the Suez Canal but buy the stock for its utility businesses. It is the only firm with liquefied natural gas degasification terminals in Europe and the Americas, allowing greater resource mobility than its competitors. It also has the controlling stake in the largest electric utility in the Netherlands, Belgium and Luxembourg and it is the world's second largest water treatment services firm with significant economies of scale.

And while most European utilities are fretting about the deregulation trend, Suez benefits from it. Its £28bn of sales are widely dispersed and the stock is dirt cheap at 42% of annual revenue, 12 times trailing earnings and with a current 3.6% dividend yield.

**Millipore Corp** is a US bioscience company providing tools and technologies for drug development globally. As the biotech sector gains momentum, it pulls Millipore along, utilising its technologies of membrane filtration and chromatography, which use size exclusion to filter wanted or unwanted particulate or bacterial, molecular or viral entities from fluids.

About 80% of sales are consumables such as lab kits and the rest hardware and services. A lot of what the firm offers currently has simply no competition. At 25 times trailing earnings, it isn't cheap but it is a relatively cheap and – at least in biotech terms – safe way to take advantage of the sure long-term trend toward the sector.