



The Republicans are very likely to win the forthcoming US elections, says *Forbes Magazine's* Portfolio Strategy columnist and Fisher Investments chief executive Ken Fisher, which as far as the markets are concerned is no bad thing

# Vote for no change

As summer fades, angst will quicken about the forthcoming US elections and the effects a change in the Congressional landscape could have on global markets. US markets hate political change. But the good news is change will be minimal. The media won't see that until at least October, though. It will want to trumpet potential turmoil, after all, "Dog didn't bite man" isn't a story.

A basic unsung rule of American political life is that as the national campaign season heats up, popularity shifts to the party with the structural advantage going into the election. This year, while the Republicans aren't popular going in, they have all the structural advantage, so they will gain popularity in the run-up to November and very little will actually change.

It's not that the Republicans are good for the market, it's that no change is good for markets and that is what we're about to get, and it will be a surprise – a good one.

First, the Republicans dominate the state houses, and the party so doing gains about 3% nationally as the campaign heats up. Second, there are more open Democratic Senate seats than Republican ones and that makes it hard for the Democrats to gain too much, since the bulk of changeovers typically happen in the open seats.

Thirdly, the races that look close mostly have underlying advantages for the Republicans, such as the Bob Ney Ohio House of Representatives seat (OH-18) hanging with scandal: he just announced he is not running for re-election and, in a Republican district otherwise, the Democrats' chances disappear as a popular local female politician takes his place. You will see more of that soon.

Sometimes the Senate changes hands. Sometimes the House and Senate change hands. But the House never changes hands unless the Senate does. The Senate just flips more easily for basic reasons. The re-election rate among House incumbents

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BUYING THINGS TOO  
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AND SELLING THEM BACK  
LATER AT HIGHER PRICES.  
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historically averages 92% and more recently, with more heavily re-aligned districts, it is running nearer 96%. There aren't enough open seats in the House for it to flip. Even if the Democrats could take the Senate, which would require them winning all the close seats, they still couldn't get the House. This election will be one for no change and as that becomes clear it will bolster stocks. Here are some I like now:

Canadian-based **CHC Helicopter** would be hard to take over because insiders have control, but it's cheap and a great energy play. Its 200-strong helicopter fleet runs flat out on exploration and the higher the price of oil, the more profit oozes through its contracts. Since I don't think energy prices can be weak for several years, it seems a great way to lever that trend. At 12 times earnings and 1.2 times annual turnover, it is also very cheap. This stock could easily rise 50%.

I get a vicarious thrill buying things too cheap from the French and selling them back later at higher prices. It's the cruelest thing you can do that's legal. **Sodexo Alliance** is a perfect sadist's play. It is in the food service business in 70 countries

serving institutions such as prisons, hospitals, schools and government facilities. It grows moderately yet sells at only 14 times 2007 earnings and at 60% of its £7.75bn in annual turnover. Hopefully a Frenchman will be buying it back a year from now at steeper prices.

US company **Dollar General** is a top retailer serving smaller, backwater communities in the deep south with basic items through 6,800 small community stores. The stock is down 40% from its peak in 2003 and now is cheap enough to sustain and justify stock buybacks and maybe even a takeover. At 12 times this year's earnings and half its £4.5bn in annual turnover, it can borrow money, buy back its stock and makes its earnings per share rise.

The US's **Charles River Laboratories** serves the biomedical market with politically incorrect but essential laboratory animal support services for drug research. Its research models and clinical services are necessary and basic to biotech drug research. At 14 times 2007 earnings this is getting rapid growth cheap because so many find animal testing distasteful. But the economics work. This stock will be nicely higher in a few years.

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