

Taking Stock: Hope is sinking for quick economic turnaround

by Malcolm_Berko

Dear Mr. Berko: Now that Barack Obama is in the White House, I am not alone in believing the economy will soon begin to turn around. We believe that President Obama is more interested in the economy than in "war on terror" and will devote the power of his office to repairing the banking system, making jobs available, lowering taxes, providing affordable health care, ending discrimination in the work place, and taking graft out of Congress and the federal bureaucracy. He has given America hope for a change, and I think the stock market in the coming six to nine months will recognize Obama's direction and begin to move up. I run the new profit-sharing plan for our business, and this year we contributed \$51,000 for nine employees and ourselves. Because I strongly believe the market will soon rebound, would you recommend six stocks that you would put in this plan today? G.L. â€” Wilmington, N.C.

Dear G.L.: Gosh, I certainly hope you're right, however I think you and "others" are tilting at windmills. I sense a tremendous similarity between evangelical audiences and Obama aficionados. I, too, like the lad. But unlike many folks, I am unable to credit him with godlike powers. It is possible that you are right. It's possible that the Dow could begin to dash higher any day and if it does, I recommend the following stocks immediately:

â€” General Electric (GE-\$11.36), inarguably one of the largest and most diversified companies in the world, sports a tantalizing dividend yielding 11.2 percent.

â€” Bank of America (BAC-\$5.60) owns Merrill Lynch, Countrywide and has more than 6,000 branches across the country. Management might cut the dividend to 55 cents.

â€” Home Depot (HD-\$21.32) has 2,350 retail building supply warehouses across the nation, carrying 45,000 different items in 130,000 square feet of floor space. The dividend yields 4 percent.

â€” Of course, General Motors Corp. (GM-\$2.77) and Ford Motor Co. (FORD-\$1.86) will zoom like NASA rockets.

â€” Best Buy Co. Inc. (BBY-\$28.81) owns 1,100 stores that sell consumer electronics, personal computers, appliances, software and audiovisual equipment. The dividend of 56 cents yields 2.1 percent.

â€” Foster Wheeler Ltd. (FWLT-\$22.59) provides construction and engineering services to the oil and gas refining, chemical/petrochemical, pharmaceutical, environmental, power generation and power operation and maintenance sectors all over the world. FLWT doesn't pay a dividend.

ProLogis (PLD-\$9.39) is a real estate investment trust, or REIT, that owns, operates and develops industrial distribution properties in the U.S., Asia and Europe. The current \$2.07 dividend yields 21 percent, which could be reduced this year.

However, you may have been milking cows in the Ukraine too long, or might be drunk as a bishop. Obama has a wonderful infectious presence, like starbursts of magnetic energy that draw people toward him. But there's no way he can cause this market to turn in the next six to nine months. So, don't buy those issues just yet.

Here, by numbers, are the AARP reasons why not:

1. We will shortly begin to see a decline in wages across the nation. 2. The commercial real estate bubble should burst soon. 3. Credit card companies may have very serious collection problems. 4. Unemployment is continuing to grow and could reach 11.75 percent in the coming 12 to 18 months. 5. England, France, Germany, Italy, Belgium and Spain are battling a banking, housing, employment and stock market crisis. Russia, Japan, Korea, India and China are sick puppies and their economies are floundering and in some instances foundering. Brazil, Argentina, Mexico are hurting badly. And the oil nations are in serious pain, most of which (Saudi Arabia excepted) have planned their economic goals based upon oil at \$90 a barrel. 6. Because other world economies are hurting their folks can't purchase our export products and because our economy is hurting our people can't purchase their export products. 7. Russia, China and Korea, Japan and Saudi Arabia purchase hundreds of billions of dollars of U.S. Treasury securities every year. However, their purchase may be truncated because they don't have the cash balances they had in 2007, and the U.S. is issuing so much paper that there's no remaining appetite.

I think, after Obama's first 100 days, the public who elected him with hope, promise and enthusiasm, will begin to cast aspersions because "change" has not come as quickly as they "hoped."

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