

BARGAIN-HUNTING AMONGST THE PANIC

Stock markets around the world sold off sharply on Monday, January 21, 2008. The U.S. markets didn't; they were closed. Asian and European markets continued the rout on Tuesday. The U.S. markets, when they open, are expected to play catch-up.

Folks, this is world-wide investor panic and a much-needed criterion to end this rather short, but sharp, bear market and set the stage for a recovery which, most likely, will be slow. That certainly is the historic pattern.

A bear market is generally defined as a drop of 20% from the high. Most markets around the world are currently in the 15%-18% range, although Tokyo is down 27%.

The fear is the probability of a U.S. recession. At first, with global markets showing strength, it was thought that the BRIC countries and the strong Asian economies could pick up any U.S. slack. Now the fear is that China and others will also falter. Certainly the Chinese stock market is wildly over-heated.

When we all look back in a few months time, we will recognize that there were some outstanding bargains available in a plethora of blue-chip stocks that had not traded at those seemedly down-and-out levels in quite some time.

It will be the astute investor who ditched his speculative stocks, now substantial losers, and traded up to quality. Those will be the stocks that will come back first. It always works out that way.

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