

Investing in Giants

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Tuesday, 05 February 2008

[youtube:<http://www.youtube.com/watch?v=7OIPdvCBewA> 425 350]

If you are a pro football fan like me you can't help re-living that remarkable offensive drive that Eli Manning and the NY Giants pulled off so magnificently in the final minutes. How did Manning stay on his feet during that close-call "sacking"? How did David Tyree hold onto that pass as he pressed the football against his own helmet and controlled the ball even after a hard fall after the catch? The Giants defense was nothing short of spectacular, holding the #1 rated Tom Brady and the Patriots Offense to two measly touchdowns. What does all that have to do with investing, anyway? If the Super Bowl indicator is to be believed, Sunday's upset victory by the New York Giants should have been a boon for the stock market. That's the way it's supposed to be when the NFC team wins.

However, this indicator quickly disproved its urban-legend status as the Dow started off the trading week with a quick dive into negative territory. Financial stocks, homebuilders, and tech stocks all took a hit today after soaring to new heights in last week's trading. Nevertheless, there were a few Giants-style underdogs who bucked the downtrend to turn higher: Yahoo! (YHOO) shares continued to rise in the wake of Microsoft's unsolicited buyout bid; Palm (PALM) spiked higher in the wake of an analyst upgrade; and even Bankrate (RATE) managed to shake off an early downgrade to rise to a new annual high. The "upset" continued in the US markets again today. Stocks pulled back sharply for the second straight session Tuesday, after an unexpected contraction in the service sector rekindled investors' worry that the economy is headed for recession. The Institute for Supply Management's January report on the service sector, which accounts for about two-thirds of the economy, came in well short of Wall Street's forecast. The index dropped to 44.6 last month from a revised reading of 54.4 in December. A reading below 50 indicates contraction; it was the first service-sector contraction in more than four and a half years. Analysts had been expecting another month of growth.

It's possible the service sector could bounce back in February, like the manufacturing sector did in January after its troubling contraction in December. The benefit of the Federal Reserve's two big interest rate cuts in the latter part of January could also help spur the service sector back into growth mode later this year.

Still, the data was especially worrisome given last week's Labor Department report, which showed a net jobs loss in the U.S. economy in January -- the first in more than four years. Together, the two reports indicate that the ongoing credit crisis is dragging down the actual economy.

"The report drives a nail into the coffin from investors' minds that we're in a recession," said Todd Salamone, director of trading at Schaeffer's Investment Research. "That doesn't mean stock prices in the months ahead will be lower. But when you see headline numbers like this, there tends to be a reactionary sell."

An announcement from Fitch Ratings that it will lower the rating on more than half of the \$220 billion wrapped up in bond funds called collateralized debt obligations added to the host of concerns plaguing Wall Street. Further downgrades would mean the securities -- many of which are backed by mortgages -- are worth even less than many investors thought. That could cause more problems for struggling banks, brokerages, and bond insurers.

After all this consolidating and convulsing in the stock market runs its course, which investment theme might prevail? How about large-cap value stocks? You know, the multi-national giants like Exxon (NYSE:XOM), Johnson and Johnson (NYSE:JNJ) and General Electric (NYSE:GE). Did you know you could get all three of these and a whole bunch of other "giant" companies in the SPDR Dow Jones Global Titans 50 index (AMEX:SPDR), which is an exchange-traded fund. The fund uses a passive management strategy designed to track the total return performance of the Global Titans index. It purchases ADR or U.S. shares of foreign companies included in the index. If it were to fall below \$65-a-share it would be a screaming buy.

If you are looking for a huge, powerful, commodity-based international company that is a giant powerhouse of investment clout, you might want to consider BHP Billiton Limited (NYSE:BHP), which happens to have its earning conference today which you and I can hear live at 6PM EST in the US (3PM PST). This should be more interesting than a presidential debate yet not as interesting as a Super Bowl Football Game.

We all know that BHP is trying to buy the mining conglomerate Rio Tinto (NYSE:RTP) but the Chinese and Alcoa (NYSE:AA), two Giants in their own right, are trying to spoil the party. If the RTP deal falls through, this might open the door for patient investors to begin accumulating shares of BHP at prices below \$60-per-share, just like before January 24th.

If you didn't already know, BHP together with its subsidiaries, engages in mining, drilling, and processing mineral resources. It operates through seven segments: Petroleum, Aluminium, Base Metals, Carbon Steel Materials, Diamonds

and Specialty Products, Energy Coal, and Stainless Steel Materials. Investing in Giant Companies can be very profitable, especially if they are well "coached" (managed) and are purchased before everybody else figures out they are big, potential winners.