WallStreetWindow PowerInvestor

The 10-10 List of Stock Picks and ETF's —Mike Swanson (12/02/13)

This is my list of 10 ETF's and 10 stocks to invest in. Before I get to them I want to tell you that there is a problem in inherent in almost every list of "stock picks" that you normally get. You are subscribing to my investment service and almost services like it are built around "stock picks."

The problem with most "stock picks" lists is that they are dated. When someone subscribes to the typical newsletter or stock trading membership service usually what they get is a big list of picks built up over a few years that already have big gains in them. The picks on the list look impressive, but they are not necessarily in a good position to make new buys in, because the original entry points are long gone.

I tried to solve this problem by showing people what I am doing in my real portfolio. You can find this in the Power Investor members area of the website by going to open portfolio. You can then download a spreadsheet containing my positions, including the share size. When I make a new buy or sell in my main account I make a post to the fact and send out an email to Power Investor members.

I started to do this in 2012 and what has happened overtime is that many of the positions I have bought have gone up a lot. Even though I think they will go higher they are not necessarily in a great position to buy right now. I do not like to chase anything and prefer to buy stocks that have not yet broken out yet.

Just last week I bought three stocks in Argentina in my main account and sent out an email about them. They are all up big already, almost 10% each. I think they will go up more from here and plan on holding them, but I cannot recommend that you buy them now, because that would mean you would have to chase them, and I don't think you should chase anything.

What I am doing in my account is heavily influenced by how invested I am already. I'm already 87% invested and do to that fact am not in a hurry to do a bunch of massive buying in new positions. But there are many people who now have a lot of cash on hand for whatever reason. They may have CD’s that have expired or simply been too afraid to buy into the stock market and now want to. They may have feared buying into Europe last year and early this year and are not anymore. Whatever the case, I know there are a lot of people who want to do buying now, because I am getting emails and questions from them.

Last week we did a live Power Investor webinar and one person suggested I make a list of stocks I would buy now if I was not so fully invested. I thought that was a good idea and that question helped provide a catalyst for this report. This list of 10 ETF’s and 10 stocks to buy bypassed the problem with most “stock picks” lists, because it is put together with the idea of buying these right now. Now if I was not invested at all I would not just go from zero to 100% invested. I would look to slowly average in over the next six months. I’d do a little buying now and a little next year whenever the next dip occurs.

I do believe that the current bull market is likely to last a few more years, but at some point next year after this current stock market rally in the S&P 500 ends we’ll likely see a 5-10% correction in the US stock market and likely most markets all over the world to some extent or another. Such corrections are normal about once a year in a any bull market and make for great buy opportunities.

So any buying you may do now should take keep that in mind. At the same time the end of the year is almost always a great time for stocks. Normally the market takes a little breather in the first week of December and then rallies in the second half of the month.

Some interesting things have been happening the past six months. Leadership has switched back and forth from time to time from the S&P 500 leading world markets and then lagging them. The S&P 500 dipped for about four weeks starting mid-September, but during that time markets all over the world went up. Then in mid-October those markets paused or dipped while the S&P 500 went up. Those markets have based over the course of the past three weeks and are now turning up and breaking out.

That means that from now into the end of the year I expect leadership to shift to markets outside of the United States. In the long-term I also think that select markets in Europe and Latin America will outperform the Unites Stock market. The reason why is that while the US stock market is about to begin its fifth year in its bull market European markets are only one year into a bull market while the stock market in Argentina just started one in August.

I try to invest with a time frame of at least over a year and have put this recommendation list together with that in mind. Really I plan on holding my positions for 2-3 years as I think the bull market in the US and these markets is likely to go on for at least that much longer.

I also believe that it is best to invest in markets with low valuations. I have written in the past about Mebane Faber and his back testing study of the cyclically adjusted P/E ratio, which shows that investing in markets with low CAPE ratios leads to outstanding returns over five years while investing in markets that have high CAPE ratios leads to dismal investment returns.

The CAPE ratio is the 10-year average price/earnings ratio of a stock market adjusted for inflation.

Not many people use this metric, because it is for long-term investing - and almost NO ONE does that anymore, because they want quick returns.

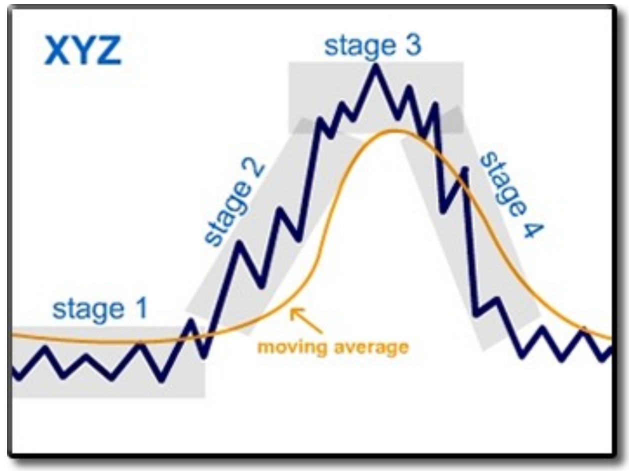
Hedge funds are judged on a monthly basis and all CNBC talks about is what is happening today. All people care about is the daily gyrations so money managers have to fight that to invest with an outlook longer than a year, much less a month.

On the right are the CAPE ratios as of October 1, 2013. This data is not updated often, but it changes very slowly so it is has not changed much since October 1. You can see from

CAPE RATIO OF WORLD MARKETS AS OF Oct.1

Greece	3.48
Ireland	6.45
Argentina	6.54
Russia	6.94
Italy	7.78
Austria	8.92
Hungary	9.52
Spain	9.52
CzechRepublic	9.88
Israel	10.04
Portugal	10.16
Brazil	10.93
Belgium	11.69
Norway	12.45
Egypt	12.54
Netherlands	12.54
UK	13.16
China	13.36
France	13.46
Germany	14.83
SouthKorea	15.21
Australia	15.27
Thailand	16.47
India	17.04
Chile	17.78
Canada	18.06
Mexico	18.83
Japan	19.77
Peru	19.99
Indonesia	20.39
Denmark	23.48
USA	23.58
Philippines	24.03
Colombia	27.55
SriLanka	28.18

Source: Barrons.



this list which are the cheapest and most expensive markets to invest in. A CAPE ratio above 20 is considered to be in nosebleed territory while below 10 is cheap, and below 5 is at a valuation level comparable to the United States stock market at its bottom during the Great Depression.

I like to buy positions in markets that are cheap and are either early in a bull market or just starting one. The CAPE ratio tells me what is cheap and what isn't and stage analysis tells me where a stock market is in as far as how early in a bull market it is in, or if it is in a bear market.

Often the two line up together perfectly. So the United States stock market is going into its fifth year in its current bull market and is somewhere beyond the second half of a stage two bull market.

The cheap markets in Greece and Ireland and much of Europe are one year into a stage two bull market while Argentina, which is also super cheap is just at the beginning of its stage two bull market.

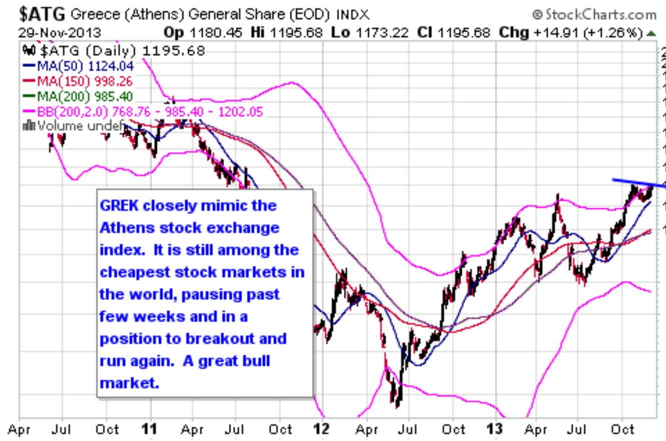
When it comes to investing I recommend that people spread out in multiple positions. They should have at least 10 and 30 is optimal, and instead of buying from zero invested to 100% invested all at once just average in over time. Then you don't have to be perfect and don't get so shook up when little natural pullbacks happen.

I also like both ETF's and stocks. By owning an ETF you can easily invest in a particular country or sector and be well diversified as the ETF may hold dozens and sometimes hundreds of positions.

Right now 46% of my main account is invested in a basket of ETF's, about 41% is in individual stocks, and 13% in cash.

If I was totally in cash in my account and wanted to buy ten ETF's right now I would buy ETF's that are invested in Russia, Greece, Argentina, Italy, Austria, Spain, and Ireland. I would also invest in commodities by buying GCC, which tracks the commodity research bureau index, GLD, which holds gold, and SLV, which owns silver. Commodities are still in a stage one base, but should breakout into a new bull market within the next few months. Ten ETF's spread out like this would give you diversification in the cheapest markets in the world and exposure in commodities. Here are their charts:


RSX Market Vectors Russia ETF Trust NYSE
29-Nov-2013 Op 28.04 Hi 28.28 Lo 28.01 Cl 28.20 Vol 1.9M Chg +0.00 (+0.00%)
RSX has lagged most markets so far, due to the fact that it is heavily linked to commodities, but should turn up and explode when the next commodities stage two bull market begins.


$ATG Greece (Athens) General Share (EOD) INDX
29-Nov-2013 Op 1180.45 Hi 1195.68 Lo 1173.22 Cl 1195.68 Chg +14.91 (+1.26%)
GREK closely mimic the Athens stock exchange index. It is still among the cheapest stock markets in the world, pausing past few weeks and in a position to breakout and run again. A great bull market.


ARGT Global X FTSE Argentina 20 ETF NYSE
29-Nov-2013 Op 20.75 Hi 21.02 Lo 20.75 Cl 20.97 Vol 2,970 Chg +0.24 (+1.16%)
ARGT, which tracks the Argentina stock market broke a stage one base in August and is early in a new bull market.


EWO Austria iShares NYSE
29-Nov-2013 Op 20.22 Hi 20.31 Lo 20.22 Cl 20.25 Vol 31.9K Chg -0.06 (-0.30%)
AUSTRIA STOCK MARKET AMONG CHEAPEST IN EUROPE.


EWI Italy iShares NYSE
29-Nov-2013 Op 15.48 Hi 15.52 Lo 15.32 Cl 15.33 Vol 1.5M Chg +0.11 (+0.72%)
Italy in a wonderful bull market DESPITE the doubters. Bull markets climb walls of worry and make doubters look like fools.


EWP Spain iShares NYSE
29-Nov-2013 Op 38.03 Hi 38.06 Lo 37.65 Cl 37.65 Vol 448.4K Chg +0.08 (+0.21%)
SPAIN, ANOTHER GREAT BULL MARKET.


IRL Irish Investment Fund, Inc. NYSE
29-Nov-2013 Op 12.35 Hi 12.35 Lo 12.35 Cl 12.35 Vol 392 Chg +0.07 (+0.57%)
IRELAND HAS BEEN A GREAT BULL MARKET SINCE IT BROKEOUT IN THE FALL OF 2012 - AND IS STILL ONE OF THE CHEAPEST STOCK MARKETS IN THE WORLD.


GCC GreenHaven Continuous Commodity Index Fund NYSE
29-Nov-2013 Op 25.61 Hi 25.90 Lo 25.61 Cl 25.80 Vol 34.1K Chg +0.11 (+0.43%)
GCC TRACKS THE CRB INDEX, ONCE IT BREAKS THE DOWNTREND LINE IT WILL BEGIN A NEW BULL PHASE, LOOKS TO BE BASING NOW TO DO THIS NEXT YEAR.

These ETF's would give one wonderful diversification across the world in multiple cheap markets and provide protection against the potential of a falling dollar and higher inflation in the United States.

I do like gold stocks too, which you can use the gold stocks ETF's GDX and GDXJ to buy, but at this moment if I was buying ten ETF's now I would buy the ones I highlighted, because I think that gold stocks won't start a new bull market until sometime in the first few months of next year. They are something I plan on buying more of next year myself.

As far as individual stocks goes I made a list of ten of them for you too by looking for stocks spread out in various markets, trading at low valuations, some of which are paying dividends, and are providing good entry points on their charts. Multiple markets means diversification and multiple positions means position size risk control. I don't want you chasing anything, so these all have charts in which the stocks are pausing, appear ready to breakout, or in the case of one is in the process of just doing so now. They are all stocks I think can at least double in a year.


NBG National Bank Of Greece NYSE
© StockCharts.com
29-Nov-2013 Op 5.93 Hi 6.29 Lo 5.90 Cl 6.27 Vol 6.6M Chg +0.37 (+6.27%)
NBG (Daily) 6.27
MA(50) 5.30
MA(150) 5.81
MA(200) 6.81
NBG IS GREECE'S LARGEST BANK. THE CHART IS FUNNY LOOKING, BECAUSE IT HAD A REVERSE STOCK SPLIT ASSOCIATED WITH A RECAPITALIZATION. STOCK HAS BEEN PAUSING FOR THE PAST MONTH AND IS READY TO BREAKOUT AGAIN, I BELIEVE IT WILL GO UP BY A FACTOR OF 2 OR 3 IN THE NEXT FEW YEARS.
32.5 30.0 27.5 25.0 22.5 20.0 17.5 15.0 12.5 10.0 7.5 5.0
30M 20M 10M
M J J A S O N D 13 F M A M J J A S O N


NILSY JSC MMC Norilsk Nickel OTC Mkt.
© StockCharts.com
29-Nov-2013 Op 14.99 Hi 15.15 Lo 14.99 Cl 15.08 Vol 156.1K Chg +0.08 (+0.53%)
NILSY (Daily) 15.08
MA(50) 15.04
MA(150) 14.45
MA(200) 15.07
BB(200,2.0) 12.38 - 15.07 - 17.76
Volume 156,060
NORILSK OF RUSSIA IS ONE OF THE LARGEST NICKEL PRODUCERS IN THE WORLD, PAYS AN 8% DIVIDEND AND HAS A PEG RATIO OF 0.62.
20.5 20.0 19.5 19.0 18.5 18.0 17.5 17.0 16.5 16.0 15.5 15.0 14.5 14.0 13.5 13.0 12.5
1.5M 1.0M 500K
M J J A S O N D 13 F M A M J J A S O N


SAN Banco Santander SA NYSE
©StockCharts.com
29-Nov-2013 Op 8.99 Hi 9.01 Lo 8.91 Cl 8.94 Vol 5.0M Chg +0.05 (+0.56%)
SAN (Daily) 8.94
MA(50) 8.68
MA(150) 7.66
MA(200) 7.56
BB(200,2.0) 6.07 - 7.56 - 9.05
Volume 5,036,152
SAN IS ONE OF THE LARGEST BANKS IN SPAIN, PAYS A 7.30% DIVIDEND, AND HAS A PEG RATIO OF 0.48. IT HAS BEEN PAUSING FOR THE PAST SIX WEEKS.
M J J A S O N D 13 F M A M J J A S O N


ORAN Orange NYSE
©StockCharts.com
29-Nov-2013 Op 13.02 Hi 13.05 Lo 12.95 Cl 12.98 Vol 247.2K Chg +0.12 (+0.93%)
ORAN (Daily) 12.98
MA(50) 13.17
MA(150) 11.19
MA(200) 10.91
BB(200,2.0) 8.07 - 10.91 - 13.74
Volume 247,248
ORAN IS A FRENCH TELECOM COMPANY TRADING WITH A PEG OF 0.30, PAYING A 4.30% DIVIDEND. LIKE MOST WORLD MARKETS IT SURGED THIS FALL AND PULLED BACK. APPEARS TO BE FORMING A BOTTOM ABOVE 12.50.
M J J A S O N D 13 F M A M J J A S O N


P.TO Primero Mining Corp. TSE
©StockCharts.com
29-Nov-2013 Op 5.51 Hi 5.65 Lo 5.50 Cl 5.54 Vol 446.5K Chg +0.03 (+0.54%)
P.TO (Daily) 5.54
MA(50) 5.66
MA(150) 5.40
MA(200) 5.53
BB(200,2.0) 4.55 - 5.53 - 6.52
P TRADES ON THE TORONTO STOCK EXCHANGE AND HAS BEEN ONE OF THE BEST PERFORMING GOLD STOCKS ALL YEAR, IT PRODUCES GOLD AND SILVER IN MEXICO, PAYS AN OVER 3% DIVIDEND, AND TRADES WITH A PEG OF 0.03 THANKS TO EXPECTED EARNINGS GROWTH.
M J J A S O N D 13 F M A M J J A S O N


SLCA US Silica Holdings, Inc. NYSE
©StockCharts.com
29-Nov-2013 Op 34.26 Hi 34.82 Lo 33.57 Cl 34.51 Vol 529.3K Chg +0.25 (+0.73%)
SLCA (Daily) 34.51
SLCA IS A US COMPANY THAT IS INVOLVED IN HELPING ENERGY COMPANIES BUILD FRACKING OPERATIONS. IT HAS BEEN ONE OF THE BEST IPOS OF THE PAST FEW YEARS, PAYS A 1.50% DIVIDEND, AND I BELIEVE IS DESTINED TO EVENTUALLY BECOME AN AMERICAN FAD STOCK ONCE THE NEXT COMMODITY BOOM BEGINS THANKS TO THE FRACKING THEME.
M J J A S O N D 13 F M A M J J A S O N


OGZPY OAO Gazprom OTC Mkt.
© StockCharts.com
29-Nov-2013 Op 8.59 Hi 8.68 Lo 8.52 Cl 8.67 Vol 256.4K Chg +0.06 (+0.74%)
OGZPY (Daily) 8.67
MA(50) 9.18
MA(150) 8.20
MA(200) 8.29
BB(200,2.0) 6.63 - 8.29 - 9.94
Volume 256,440
RUSSIAN GARZPROM IS ONE OF THE LARGEST NATURAL GAS PRODUCERS IN THE WORLD, PAYS A 4% DIVIDEND AND HAS A P/E JUST ABOVE 3. STOCK WILL TRADE WITH COMMODITIES MARKETS, AND IS NOW PAUSING.
12.0
11.5
11.0
10.5
10.0
9.5
9.0
8.5
8.0
7.5
7.0
6.5
8M
6M
4M
2M
M J J A S O N D 13 F M A M J J A S O N


NMM Navios Maritime Partners L.P. NYSE
© StockCharts.com
29-Nov-2013 Op 16.55 Hi 16.84 Lo 16.53 Cl 16.81 Vol 243.0K Chg +0.31 (+1.88%)
NMM (Daily) 16.81
MA(50) 15.18
MA(150) 14.32
MA(200) 13.98
BB(200,2.0) 11.99 - 13.98 - 15.97
Volume 243,033
NMM IS A GREEK SHIPPING COMPANY PAYING A 10.80% DIVIDEND. I LIKE SHIPPING STOCKS AND THIS ONE IS PAUSING AND IN THE PROCESS OF BREAKING OUT NOW. I EXPECT A LEG UP SOON.
17.0
16.5
16.0
15.5
15.0
14.5
14.0
13.5
13.0
12.5
12.0
11.5
11.0
10.5
10.0
8M
6M
4M
2M
M J J A S O N D 13 F M A M J J A S O N

Now I already own positions in RSX, GLD, GREK, EWO, EWI, EWP, IRL, TNK, NILSY, NBG, SAN, OGZPY, and NMM. If I was in total cash I would buy all the positions in this report, but I would only do so with a portion of my money, because I think it is very important to keep some money in reserve in order to average in more at some point next year.

I just bought three new positions myself last week that are stocks in Argentina and plan on continuing to buy more stocks over time. At some point in the next few months I will likely do some buying in commodity and mining stocks in particular.

I also will put more reports for you together like this one periodically. I think instead of one big list of "stock picks" that show you stocks already up big and therefore are not exactly timely for you, that reports like this one with fresh ideas can help you find new investment positions better, because they are picked to be timely.

This report - is likely to become dated soon. So I will put another together for you next year, probably in January. This way you will have investment ideas that you can average into. I also will of course send you my regular reports showing you what I'm seeing in the markets and my watchlist of stocks I'm doing more research on. We are in an exciting global bull market with opportunities to find cheap stocks in markets all over the place. This gives us a great chance to invest safely by diversifying in various markets and stocks all over the place that provide us with low risk to reward entry points.

Disclaimer