

**Today's Markets**

	last	change	% change
S&P 500	1182.81	+5.74	0.49
DJIA	10494.23	+63.65	0.51
NASDAQ	2126.11	+11.45	0.54

**“Market Monitor”- Michael O'Higgins, president of O'Higgins Asset Management**

*December 3, 2004*

PAUL KANGAS: My guest "market monitor" this week is Michael O'Higgins, president of O'Higgins Asset Management. Welcome back to NIGHTLY BUSINESS REPORT.

MICHAEL O'HIGGINS, PRES., O'HIGGINS ASSET MANAGEMENT: Thank you.

KANGAS: Michael, you've recently changed from a very cautious stance on stocks to an optimistic strategy. What factors are behind this change?

O'HIGGINS: Principally the fact that interest rates have come down enough and earnings have come up enough so the stocks are actually cheaper than bonds for the first time since 1981.

KANGAS: Not as much competition then.

O'HIGGINS: Exactly right.

KANGAS: You were very bullish on gold stocks and they served you well. Are you still with them or are you backing away?

O'HIGGINS: Not really. The gold stocks are acting poorly. They're actually down so far this year, in spite of gold being up about 10 percent and the sentiment on gold is a little bit too optimistic. So I think we are going to have something like we had from '74 to '76, where you had like a 40 percent decline in the price of gold after it was legalized at the end of '74.

KANGAS: So you are no longer that bullish on gold. You're not bearish but just not very bullish anymore.

O'HIGGINS: Gold is still cheap relative to paper but I think it's a little ahead of itself and due for a correction.

KANGAS: OK now the last time you were with us in April, you recommended the index shares representing a number of foreign economies. Let's have a look and see how they fared. Your iShares in Brazil up 31 1/3 percent. That was a great move there and the Germany index shares up 16 percent. You're hitting on both burners there. Let's have a look at -- you have five of them all told. Templeton not so well there, down 7.4 percent and then the Singapore iShares up nearly 14 percent and there was one other, I believe that was South Korea down just a small fraction. Pretty good lineup there and I congratulate you on some good calls. Are you still with all of those?

O'HIGGINS: No, I would say today I would substitute for Singapore and South Korea, would substitute Malaysia and the Netherlands, both of which have iShares.

KANGAS: And you own them?

O'HIGGINS: Yes. I own them all personally.

KANGAS: OK. Now let's get back to the reasoning behind your turning somewhat bullish on the stock market here. Give us some other reasons. I understand you like the number five as in 2005.

O'HIGGINS: It's interesting that looking into next year, if you look historically; years ending in five have had spectacular performance going back to 1895. They've given just without dividends, even without dividends, about 28 percent a year verses 4.8 percent for the Dow itself, so about six times the return.

KANGAS: This is not a real fundamental fact.

O'HIGGINS: No. There is no explaining it but it's quite impressive.

KANGAS: All right. Well, if it works, it works. You got to stay with it, right?

O'HIGGINS: Absolutely.

KANGAS: Let's have a look at some of the stocks you're recommending. What do you like in the way of stocks here?

O'HIGGINS: Well, as you know, I wrote the book on the dogs of the Dow.

KANGAS: Back in '91. I remember it well.

O'HIGGINS: And those are the stocks that I would buy today. They would be General Electric, General Motors.

KANGAS: Wait a minute. Let's have a look at the charts on each one of these. Let's start with GE. It's had quite a rise actually.

O'HIGGINS: It has but it's still down dramatically from its high in 2000. It's down about 40 some odd percent.

KANGAS: And it does pay a little bit of a dividend.

O'HIGGINS: It pays about what, 3 1/2 percent.

KANGAS: About 2.2 as of tonight's close in any case. All right. Moving right along, what other dog in the Dow do you like?

O'HIGGINS: General Motors which again is down dramatically, selling at five times earnings.

KANGAS: This chart is just almost the reverse of GE's.

O'HIGGINS: A big dividend, also. The next one would be JPMorgan Chase.

KANGAS: OK. The financial sector you do like.

O'HIGGINS: Well, it's really the dividend. As you know, the dogs of the Dow is strictly about dividends.

KANGAS: Right, 3 1/2 percent yield there. OK, let's have a look at one more.

O'HIGGINS: Merck, which as you read in the papers, I mean they're getting hammered but the stock is down 70 percent.

KANGAS: Buy them when they're weak.

O'HIGGINS: Buy when they're cold as John Neff would say.

KANGAS: Buy straw hats in January, in other words and do you have another one?

O'HIGGINS: And the last one is SBC Communications. Of course, those stocks have all been hit, too and it's very cheap, has a big dividend. On balance, these stocks are down even with the big market rally from October of 2002, they're still down over 50 percent from their highs in 2000, whereas the Dow itself is down less than 10 percent from its high.

KANGAS: So that makes them dogs in the Dow, doesn't it? Do you own all of these stocks that you just recommended?

O'HIGGINS: I own them all personally.

KANGAS: You put your money where your mouth is.

O'HIGGINS: Absolutely, for better, for worse.

KANGAS: All right, very good. Michael, thanks so much for being with us again.

O'HIGGINS: Thank you, Paul.

KANGAS: My guest market monitor, Michael O'Higgins, president of O'Higgins Asset Management.