

## **TheMarketCapitalist.com's Portfolio Selection Debuted**

With this inaugural edition of The Market Capitalist newsletter comes the release of the newsletter's portfolio. The portfolio will provide readers with a set of recommendations that are expected to flourish in the coming months and years.

The goal of the portfolio is to truly outperform the market. By this I mean to have an overall better return than the market, when taking in to consideration the portfolio's volatility compared to the market. We're not aiming to appreciate in value, but to protect against times when the market turns south and losses value. We don't want our time spend digging out of a hole.

As you will see from a quick glance at the portfolio's holdings, it's overweight in energy producing or servicing companies. What's the rational? We live in a world that is constantly developing. While the U.S. for the past decade has actually seen its aggregate demand for oil slightly decline, the emerging markets of the world have seen significant growth in their demand. Emerging markets now count for 98% of the world's growing demand for oil.

This worldwide increase in demand for oil has come with a cost. In 2007 and 2008 we saw the price of oil sky rocket. Just this year we saw oil jump to nearly \$120 a barrel. We live in a volatile world where the perceived value of a precious resource like oil can climb higher in price in a relatively short period, and come back down rather fast, too. Yet we're in a market that is mired in worries of slow-growth, not just in developed economies, but throughout the world.

I am less concerned with the near-term than I am with the long-term. Continued economic expansion, in emerging markets in particular, and increasingly difficult oil acquisition landscape worldwide are a recipe for future oil price shocks. This will benefit the valuations of companies in the energy field.

A minimal amount of research will reveal that the energy related companies listed either have a high and consistent dividend and/or a low price to earnings ratio. These are value stocks that are much more conservative than smaller more speculative operations. Downside risk is not to be forgotten, especially in the market we're currently in.

In future editions I will further explain and highlight other holdings in the portfolio.

## Pricing in a Recession?

My take on the current state of affairs in the market is that fearful investors are pricing in future news of a recession. Investors are a forward looking bunch and are prone to reacting to the perceived future. When you act early and act right, you benefit.

I am of the opinion that we have moved to a point where investors are overly bearish in their mood and action. Therefore, this period should be seen as an opportunity for investors to accumulate stocks and/or funds they have on their buy list. When expectations are low it does not take outstanding news to make prices jump higher, decent news will do the trick.

Bearish or bullishness cannot live on itself in perpetuity. If in the latter part of the 3<sup>rd</sup> quarter and into the 4<sup>th</sup> quarter market jitters ease, then it will not take an overwhelming amount of good news to generate an updraft in market prices.

Remain clam, identify opportunities and keep an eye on the horizon.

## TheMarketCapitalist.com Portfolio Selection

Company	Ticker	Buy Date	Buy Price	Last Price	Performance	Buy Target
SeaDrill Limited	SDRL	9/7/2011	30.25	32.53	7.54%	Up to \$38
Weatherford International Ltd.	WFT	9/7/2011	16.31	16.35	0.25%	Up to \$26
American Tower Corp.	AMT	9/7/2011	53.75	54.9	2.14%	Up to \$68
PowerShares Water Resources	PHO	9/7/2011	16.42	16.47	0.30%	Up to \$22
Cisco Systems, Inc.	CSCO	9/7/2011	15.42	16.62	7.78%	up to \$21
Deere & Company	DE	9/7/2011	78.97	78.02	-1.20%	Up to \$92

## Ramifications of a Delay in Increased EPA Pollution Controls

The sheer size of the U.S. government is enough to move entire industries and the entire market. Policy changes do impact business in terms of the way they must operate or the potential government contracts they will secure.

As we ushered September in a surprise was delivered from the current administration. Its proposed new EPA air quality legislation is being delayed until 2013. The requirements would have increased the requirements businesses would have to meet to be within EPA pollution standards. Pollution limits will be evaluated again in 2013.

For power companies that rely on coal power plants for much of their energy production, they can breathe a momentary sigh of relief. On the other hand, pollution and treatment control companies will face a landscape filled with greater uncertainty with less perceived upside than expected.

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**CECO Environmental Corp. (CECE)**, a major player in the pollution control business, and similar companies should be looked at with an extra amount of scrutiny in the next few quarters in light of this news. As of August of this year, CECE has realized \$28.7 million in orders, with the U.S. being its largest customer base with \$11.8.

In the company's August investor's presentation it focused on increasing regulation as a main demand driver for sales. The shift in policy at the Federal level will have an impact on future orders in the U.S. and could cause current orders to fall, depending on the structure of these unfilled orders.

I would suspect in the next one to two quarters, the impact of this change will be more apparent to investors. Projected sales are likely to be adjusted down and I would not be surprised to see more recent orders renegotiated or canceled. Such news will put a damper on future share price expectations.

Whether the government is a form of democracy or dictatorship, decrees issued are never set in stone. What seems certain can change depending on the political circumstances of the day. Pollution control standards are a case in point example of this truth.

### ***Personal Finance: Planning Ahead For Christmas? Yes, already.***

It may only be September, but, for the savvy Christmas shopper, now is the season to start planning ahead. If you are worried about your holiday budget this season, then I have a strategy for you.

We all have loved ones that we regularly buy a gift for at Christmastime. This season with the economy still in the dumps, we may find ourselves wishing to reduce the amount of money we spend on gifts. How do we do reduce our spending and still buy meaningful/useful presents for our loved ones?

When you plan ahead you will find that more options will be at your disposal compared to if you were to wait until only weeks before a deadline arrives. For those planning ahead, an online phenomenon can be leveraged to help you solve your Christmas shopping dilemma.

A handful of sites exist online for the purpose of providing daily deals to their site visitors. These sites feature a myriad of products that are featured for a day and then are gone. Some of the more popular deals sell out before the day is done. Often times the sites will have their general sale of the day and then specific category deals in areas such as toys, home goods, or mobile items.

If you have not monitored deal of the day sites, I believe you will be presently surprised at the variety and quality of items posted. For starters give [www.woot.com](http://www.woot.com), [www.1saleaday.com](http://www.1saleaday.com) and [www.dailysteals.com](http://www.dailysteals.com) a try. Make a point to watch the deals that are provided daily and you will begin to gain an appreciation/understanding of the product selection that is featured.

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To implement this strategy first identify who are those people you will be buying a present for this year. Secondly, identify a few areas of interest that these people have. For example...Do they like technological items? Do they enjoy getting new jewelry? Forth, set an estimated gift budget for each person. Finally, identify the deal of the day sites you will monitor and monitor each site on a daily basis.

As you monitor these sites you may find that an item is featured that will work as a gift for a particular person and is significantly under your estimated budget. Such a situation will present the opportunity to spend less than you expected and still maintain the perceived gift value in the eyes of the gift recipient.

Start monitoring these sites today! It will only take a couple of minutes per day to give each site a glance. If you are serious about cutting your present budget this season, begin early, act when appropriate and know you are in control. Start today, it's not too early!

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