



TOPSTOCKANALYSTS DIGEST

Investing Ideas from America's Leading Financial Advisors

Monday, December 3, 2007

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Published every other Monday, the *TopStockAnalysts Digest* is loaded with stock picks, trading ideas, market commentary, and educational guidance designed to help you become a better investor. To ensure uninterrupted delivery of this newsletter, please follow [these simple instructions](#).



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Today's Top Stock Picks



FTI Consulting (FCN):
Benefiting from the Subprime Mortgage Fiasco
Even as the market sold off in the past few weeks, this forensic accounting company stayed strong. [Read More. . .](#)



If the Emerging Markets Cool, You'll Want Shares of this New ETF

We all know emerging markets have been hot. But if you think a slowing U.S. economy will temper future growth abroad, this is the ETF for you. [Read More. . .](#)

Profit Alert: Get Ridiculously Wealthy as Tiny Stocks Explode

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Market Outlook

November has not been a kind month to investors. In total, the Dow tumbled more than

1,100 points between Halloween and Thanksgiving. This past Monday, the market picked up right where it left off before the holiday, as the Dow surrendered another 240 points and closed below 12,750.

For those keeping score, that marked a -10% pullback from the index's mid-October peak of 14,300, the technical definition of a market "correction." Remarkably, the last correction in the Dow occurred on March 12, 2003 -- a span of 1,154 trading days. Over the past 100 years, that is the second-longest stretch ever recorded, trailing only a 1,724 day bull run from March 1990 to October 1997.

Even more incredibly, this short-lived correction lasted just one day, as the market has since come roaring back to life. In fact, the Dow recouped nearly 550 points on Tuesday and Wednesday -- its sharpest two-day advance in more than five years. Meanwhile, the S&P 500, which had briefly sunk into negative territory for the year, rebounded even more on a percentage basis.

There were several factors that helped the market snap back this week: a pullback in oil prices, some easing of credit-related tensions, and record "Cyber Monday" online retail sales of \$733 million -- a healthy +21% increase over last year. More importantly though, there is renewed optimism that the Fed's next policy meeting on December 11th will result in another rate cut.

All of this has left traders in a bullish mood, allowing the major averages to stage an impressive recovery and end the week with gains of between +2.5% and +3.0%.

Looking ahead, it's a safe bet that investors will be keeping a close eye on the latest employment figures and other key data releases scheduled for this week for clues about the future direction of the economy and interest rates. However, regardless of which way the economic winds blow, there is one company with plenty to keep it busy over the next few months -- FTI Consulting (NYSE: FCN, \$57.00). Below, *Cabot Wealth Advisory* editor Timothy Lutts explains why demand is booming for this firm's specialized consulting expertise.

Also in today's *TopStockAnalysts Digest*, I have just the solution for investors that believe emerging market stocks have gotten ahead of themselves and are banking on a pullback. As you will read below, the UltraShort MSCI Emerging Markets ProShares ETF (AMEX: EEV, \$73.63) doesn't just jump when emerging market stocks fall -- it leaps.

Good Investing!



-- Nathan Slaughter
Co-Editor
TopStockAnalysts Digest

Gains of +964.7% with the "Buffett Way"

Everyone knows Warren Buffett built a \$42 billion fortune by buying and holding

undervalued stocks.

Simply by owning companies selling below their fair market value, Mr. Buffett's Berkshire Hathaway portfolio produced an average annual return of +21.4% from 1964 to 2006 -- more than double the S&P 500 during that same period.

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For more information on Nathan's discounted cash flow system . . . and to claim your FREE Special Report, "3 Stocks Warren Buffett Wishes He Could Own -- But Can't" . . .

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FTI Consulting (FCN): Benefiting from the Subprime Mortgage Fiasco

by Timothy Lutts, Editor -- *Cabot Wealth Advisory*

Ideally, you want to invest in industries where the dominant factors are positive and where booming demand for products or services means revenue growth is rapid and profit margins are high. Trouble is, in the current market climate, the best growth stocks, which have enjoyed great advances earlier this year, are in retreat. Buying them is a high-risk proposition.

But there is one exception, and it's interesting enough to discuss here.

It's FTI Consulting (NYSE: FCN, \$57.00), and it excels in helping businesses pick up the pieces after they've been hit by devastating events.

Originally, the company's name was Forensic Technology Inc., which gave a clear indication of the company's expertise, and to tell the truth, I liked that name better. But the company has grown its sphere of expertise over the years, and the old name was rather limiting. So the name has been reduced to initials, which, of course, don't match its ticker symbol.

In any event, FTI today provides a wide variety of expert services to assist companies with litigation, corporate finance, restructuring, media relations, and mergers and acquisitions.

Historically, the company has been an important player in a number of high-profile corporate events.

For example, it was instrumental in the AT&T/BellSouth merger, presenting its findings to the Department of Justice, Federal Communications Commission, and a variety of state regulatory commissions. Its forensic accountants and forensic computer consultants analyzed Refco's money trails to tell the board where the money went. It used over 40 employees over an eight-month period to analyze and evaluate over 150 million Freddie Mac documents. It assisted TYCO in responding to the SEC's request for documents. And it was instrumental in the restructuring of American Home Mortgage, Calpine, Dana, Delphi, Northwest Airlines, Tower Automotive, and Winn Dixie.

Today, FTI has clients in a wide variety of industries, including automotive, chemical, communications, construction, energy, financial services, healthcare, insurance, pharmaceutical, real estate, and retail.

And business is booming. In the third quarter, revenues grew +56% to \$253 million, while earnings jumped +46% to \$0.60 per share. The profit margin for the quarter was 10.8%. Following the report, analysts adjusted their estimates of future earnings upward.

And with good reason! All you've got to do is look at all the failures in the mortgage industry and the related credit-dependent industries to conclude there's a lot of forensic work to be done and that FTI will be one of the major beneficiaries of this trend.

Since the third-quarter report was issued, the stock has climbed from \$53 per share to a high of around \$61, totally ignoring the broader markets' weakness. Since then it has pulled back just slightly, trading around \$57 per share.

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If the Emerging Markets Cool, You'll Want Shares of this New ETF

by Nathan Slaughter, Editor -- [The ETF Authority](#)

As the name implies, UltraShort MSCI Emerging Markets ProShares (AMEX: EEV, \$73.50) offers investors an easy way to short, or bet against, the MSCI Emerging Markets Index.

Specifically, the fund is designed to provide approximately double the inverse of the daily return of the MSCI EM Index. For example, on a day when the underlying benchmark drops -2%, EEV shareholders can reasonably expect to see gains (before

fees and expenses) of +4%.

The math doesn't always work out to the penny over the long-haul, but the premise is simple enough: bad news for emerging market stocks is great news for this fund, and vice-versa.

ProShares offers a growing assortment of funds geared to move in the opposite direction of an underlying basket of stocks -- whether it's a broad index like the Russell 2000 or even a specific industry group such as financial services. Think that small-caps will bear the brunt of a recession-driven pullback? Convinced that there is more misery ahead for the banking sector? Then these funds would be the way to go.

Of course, in the case of emerging market stocks, an inverse fund (particularly a leveraged one that magnifies returns) would have been the last place you wanted to invest -- at least until recently. Investors have pumped \$13.5 billion into emerging market ETFs so far this year, and it's easy to see why: the benchmark MSCI EM Index has delivered red-hot annual gains of +34% over the past three years.

However, emerging market equities are also notoriously volatile and will likely be one of the harder-hit areas in the event of a global sell-off. To give you a glimpse of that, when the market tumbled on November 21st, the iShares MSCI Emerging Markets Fund (AMEX: EEM) suffered a steep -5% decline, while EEV soared around +9%.

For those that think the emerging markets are overheated and prone to even deeper declines, then this fund is for you.

Our View --> ProShares launched this fund (and a non-leveraged version -- Short MSCI Emerging Markets ProShares (AMEX: EUM)) in early November and has since followed up with a fund that takes a similar approach in China (where stocks have soared +600% over the past five years).

Over the long-haul, we think the emerging markets story is one worth telling, but investors should expect a few plot turns along the way. Still, we don't engage in day-to-day market timing and won't attempt to speculate on what emerging markets will do over the next few weeks.

However, we do believe that this fund could be a useful hedging tool for investors with considerable exposure to these stocks. For those that want to protect profits without closing out their positions (and triggering hefty capital gains taxes), then EEV may be the answer.

Also, for anyone interested in shorting other indices or sectors, we should point out that Rydex is busy launching a wave of inverse funds with expense ratios of 0.70% -- versus 0.95% for ProShares.

Additional Investing Ideas



[Maximize Your Returns with High-Yield Retirement Funds](#)

In response to the aging baby boomer crowd, "retirement funds" have become one of the fastest-growing segments of the fund market. Most have also shown remarkable resilience in the face of recent market volatility.



[Playing the Global Boom in Non-Residential Construction](#)

Although spending on U.S. residential construction topped out in late 2005, spending on non-residential construction continues to soar.



[Profit from a +200% Increase in the Market for GPS Devices](#)

Thanks to its 50% share of the market for personal navigation devices, Garmin (GRMN) could continue its meteoric rise.

[Visit this link](#) to read additional articles from today's leading market experts!

Investor Trivia -- Online Retail

Which online retailer has delivered sensational gains of +33.4% annually over the past decade? (Good enough to turn a \$10,000 investment into nearly \$180,000!)

- A.) [Amazon.com \(AMZN\)](#)
- B.) [Buy.com \(BUYX\)](#)
- C.) [Overstock.com \(OSTK\)](#)
- D.) [eBay \(EBAY\)](#)
- E.) [1-800-Flowers.com \(FLWS\)](#)

(Please click on one the links above. After you make your choice, we'll show you the correct answer on our web site.)

Featured Topic -- Profit from Tax-Loss Selling in Closed-End Funds

The end of the year is one of the market's most active periods, and year-end tax-loss selling makes this a great time to scout out some real bargains on closed-end funds.

A study in *The Journal of Finance* found that many closed-end funds tend to sell off in the last few weeks of the year and then rally in January. The reason for this seasonal behavior is that tax-sensitive investors often sell funds at a loss late in the year to help offset capital gains elsewhere, lightening their overall tax load.

Heavy year-end selling can drag a fund's market share price below its net asset value (NAV) -- the value of the underlying securities in the fund's portfolio. The resulting discount can create an attractive entry opportunity. For example, if a fund is trading at a -20% discount, then you'll only be paying \$80 for a \$100 worth of assets.

Come the start of each new year, the so-called "January Effect" usually kicks in. Funds that are cast off in the last few weeks of the year may soon look enticing, as tax loss selling will artificially depress share prices and push yields higher. (Share price and yield move inversely.) If history is any guide, then bargain hunters will swoop in during the first few weeks of January, bidding up the share prices of many beaten-up funds.

Some closed-end funds make better candidates for this strategy than others. Municipal bond funds tend to work particularly well because owners of these funds are typically focused on taxes. Thinly traded funds with 50,000 shares or less in average daily trading volume also work well. Low trading volume tends to exaggerate price swings, so when investors flock to the exit doors in the weeks before December 31st, they'll move a small fund far more than they would a larger, more liquid fund.

New funds that were issued earlier in the year also make good prospects for this strategy. New funds are typically issued at a premium to their portfolio value because the initial share price includes a fee to the underwriter. These fees can represent as much as 8% of the fund's net asset value. It usually takes a few months for the share price to back off and move closer to NAV, or even below it.

For instance, a fund may come to market in July at a +5% premium to its NAV, but trade at a discount sharp discount just a few months later in November. If this were the case, we would expect to see that discount widen even further as tax-loss selling drags down the share price prior to the start of the new year.

One caveat to using this technique to profit...

Important Note: Because this article is fairly extensive, we could not include it in its entirety in today's newsletter. You can find the remainder of this article on our web site. Please [visit this link](#) to continue reading this article.

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Good investing in the coming weeks!



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