



## Ride the wave as part of your investment strategy

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There are specific waves and trends that occur during investment cycles that you should be aware of when investing. Have you "caught the wave" in the investment choices you make?

Industries and companies that ride these waves will often outperform the market in a big way. So if you are an individual stock buyer or are trying to choose the right manager, it may be wise to take a look at the strategy of choice in your portfolio when it comes to momentum stocks. Investors should not forget that long-standing strong companies will still be a safer bet when it comes to stock investing. Those companies can also get caught in the wave when world or economic events cause them to be in the right place at the right time.

Examples of these trends are fairly evident when you are looking at them in retrospect over a couple of years. After 9/11 it seemed plausible that stocks related to security and energy may be caught up in the wave of sentiment for the new world and how it would operate. Some companies you would think of are Chevron, Exxon, Armor Holdings, Boeing and Bell Helicopter, just to name a few. Let's take a closer look at one of them and see what products they had available and if they possibly got a bigger lift in the post 9/11 era.

Chevron is a good example of how the energy wave has impacted the giant oil companies. Chevron has more than 13 billion barrels of oil reserves. The company has ownership in gas stations and refineries thus integrated to take advantage of such a wave, and continued drilling and exploration have added to the reserves producing major profits as

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the prices increased. Revenue growth for the company over the last 60 months was up 311 percent; for the last 36 months it was up 91 percent and was up over 24 percent for the last 12 months.

So we can see it is not just the normal business of the company that created such a major swing in its profits and revenues, but a benefit of the major swing in the price of its assets. Its commodity-based business has caught the rising price increase wave that was created by many factors.

Oil stock is a hot topic – not just because recently they have benefited from the higher prices, but in relation to the reaction to the war in Iraq and the expansion of China and other countries economic growth. These are two wave issues that are fueling some of the higher prices, thus allowing the oil owners and processors a better margin and higher prices.

China is consuming more oil, and instability in Iraq and the Middle East creates an emotional response to a possible slow down in production in oil supplies. The result is a more emotional upside to

the trading of oil futures and current oil prices. When you think about it, with the cold winter last year and the tragedy of Hurricane Katrina, it's easy to see why oil and gas prices have hit an all time high. Oil reached \$70 dollars a barrel and natural gas made it to \$12 dollars an MCF. These are frightening prices for long-range economic forecasting.

Since the wave of disasters discussed here has passed, we can now see that the prices have come down considerably. But don't be fooled into thinking that the wave is over. Security issues still exist and consumption of oil will not come down to levels it would take to go back to cheap prices for the long term. Therefore these companies will still benefit from the wave that started some time ago.

There are many companies and sectors benefiting from these new needs on the world stage. Homeland Security in the United States is a major buyer of many technology- and security-related products. Businesses that manufacture satellites, surveillance equipment, military clothing and protective gear are also catching the wave of the new world stage.

You, too, can benefit by doing the research to find the stocks, managers or funds that know and deliver on the waves as they continue to develop over time. Keep in mind you will not want to depart from your basic investment strategies and take too much risk. This should be incorporated in your overall investment strategy.

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