



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

*Friday, September 21, 2007*

PAUL KANGAS: My guest "Market Monitor" this week is Michael O'Higgins, president of O'Higgins Asset Management based in Miami Beach, Florida. Mike, welcome back to NIGHTLY BUSINESS REPORT.

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

KANGAS: Let me say at the outset that on your last visit with us in early January, you made some very accurate predictions. You said 2007 would be a pretty decent year for stocks. Here we are just recently coming off a 14,000 record high in the Dow. You expected interest rates to decline and boy they sure have just in recent past. And you predicted Wall Street would experience much greater volatility. Those were great calls and I compliment you.

O'HIGGINS: Lucky, I guess.

KANGAS: How do you see the rest of the year unfolding?

O'HIGGINS: I think it will be pretty good. We're getting into a seasonally strong period. I don't expect any great fireworks. The market is slightly under valued, not enormously undervalued, so we should kind of muddle through.

KANGAS: Interest rates going to go lower or they stay where they are for a while?

O'HIGGINS: I think short rates could go a little lower, but maybe long rates will go up a little bit because as people start anticipating --

KANGAS: It won't help the housing slump, though?

O'HIGGINS: Well, that's a longer-term problem.

KANGAS: OK. You have been a long time proponent of owning gold and here it is nearing, what, a 25-year high. Do you see it challenging its record high any time soon?

O'HIGGINS: Absolutely. I think gold can double from here.

KANGAS: Really? Over what period of time?

O'HIGGINS: The next few years.

KANGAS: That would indicate you're worried about inflation?

O'HIGGINS: Not necessarily, although inflation is ticking up and should continue to expand a bit.

KANGAS: Uh-huh. And gold, you would hold if you already own it, and - -

O'HIGGINS: The average ratio between gold and the Dow is 10 to 1. So right now gold, to be fairly valued should be \$1400. It is \$730, 40, something like that.

KANGAS: Interesting. Last January on your last visit, you gave our viewers seven buy recommendations. Let's see how they performed since then. We have General Electric, up 9.8 percent, coming alive as of late. But old Pfizer, which can't seem to get out of its own way, down 6.5 percent. Are you still with both stocks?

O'HIGGINS: Well, I'm still with both of them, but tonight I'm going to make some different recommendations.

KANGAS: OK, let's have some more of your picks from January. AT&T has done very well. And iShares of the Netherlands (EWN) very well too. Still with those two?

O'HIGGINS: Yes.

KANGAS: OK, we have some more from January. The iShares of the Taiwan Index (EWT), up 13.2 percent, And South Korea index (EWY) up 43.7, very good calls. Let's see, we had I think one more, ProFunds (PMPX) precious metals, the biggest gainer of all, 44.2 percent, great calls. Only out of -- six of the seven you called were higher, some of them much higher. Great, great recommendations. How about some new ones?

O'HIGGINS: I would change a couple of things because some of these have gone up so much that they're no longer cheap. I only buy undervalued securities. Right now in terms of the dogs of the Dow, I would just have Citigroup and Pfizer.

KANGAS: Pfizer. Let's have a start on Pfizer.

O'HIGGINS: Pfizer (PFE), it is down 50 percent from its high. It's yielding 4.7 percent. It's dirt cheap. It's been a dog, but that's when you buy them, when they're down. Get them while they're cold.

KANGAS: OK, now you mentioned Citigroup, also. Let's have a chart on that.

O'HIGGINS: Citigroup has been -- the symbol is "C," has been hit by the sub-prime crisis that has hit all the financials. It's very cheap. It's about 11 times earnings, yielding 4.6 percent. It's a fabulous world franchise.

KANGAS: Let's try and duplicate six out of seven last time. Let's go for a third one.

O'HIGGINS: The third one then I would buy -- I would go over to Europe and buy the cheapest market in Europe, which is Belgium, so you buy Belgium iShares. EWK is the symbol. And then I would go to Asia and buy the cheapest market in Asia, which is Thailand, using the Thai fund, symbol TTF.

KANGAS: When you say the cheapest market, are you talking about their economies in general?

O'HIGGINS: I'm saying the stock markets in terms of all of the basic valuations, price to book, price to earnings, price to dividend and so on.

KANGAS: All right. Let's have some more.

O'HIGGINS: Then I would take and in the energy sector because I'm still very bullish on energy, but natural gas is very cheap to oil. It is at an historically low relationship to the price of oil.

KANGAS: This is a closed-end fund, I believe?

O'HIGGINS: You can participate tick for tick for that by buying UNG, which is the ETF for the natural gas. And lastly I would stay with precious metals because I still think gold is very cheap and I would buy that, play that through the PMPX. It's the ProFunds precious metals fund.

KANGAS: Mike, do you personally own any of the securities you've mentioned or have other disclosures to make?

O'HIGGINS: I own them all and I'm riding with them.

KANGAS: All right. Thanks for sharing your insights with us, appreciate it.

O'HIGGINS: Thank you.

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