



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

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

MICHAEL O'HIGGINS, PRES., O'HIGGINS ASSET MANAGEMENT: Nice to be back.

KANGAS: Give us your diagnosis on the current stock market's condition.

O'HIGGINS: Well, at least on a near-term basis, it feels like it's kind of rolling over but it's holding in there. Seems like it can't make up its mind whether it wants to roll over or go up.

KANGAS: April was the best month for the market in some say nine years.

O'HIGGINS: For the S&P, it's the best April since 1938.

KANGAS: Right and I mean is it still a bear market rally or is it the beginning of a new bull?

O'HIGGINS: I think it probably is a bear market rally but we won't know for quite sometime I guess.

KANGAS: Do you think it's reflecting optimism that the Obama economic plan is going to work and do you think it will work?

O'HIGGINS: I think it is reflecting an optimism that things have bottomed out economically whether it's thanks to Obama or not. But chances are it won't work. At least the two instances that we had in the past where they tried this same kind of fiscal monetary stimulus in the '30's here and since the '90's in Japan. It didn't work either of those two times.

KANGAS: Inflation is a definite threat do you feel?

O'HIGGINS: It seems to me that these people are not going to stop. I'm talking about the Obama administration and the Fed, until they get a return of inflation.

KANGAS: What is your investing strategy against the background like this?

O'HIGGINS: I'm protecting myself principally with precious metals, so I have gold mining stocks, silver and physical silver and gold and TIPS and Canadian dollar.

KANGAS: Last October you gave us several recommendations. Let's see how they picked up or down.

O'HIGGINS: A little bit of both.

KANGAS: You had an undying the faith in Citigroup (C) and so many people did and it just didn't turn out well at all.

O'HIGGINS: No, that was a disaster.

KANGAS: Are you with it or out of it?

O'HIGGINS: I'm out of it.

KANGAS: The I-shares in Italy (EWI) you felt were unduly depressed and they got even more depressed. How about those, still with them?

O'HIGGINS: No, I don't own Italy anymore.

KANGAS: Gave up on them, OK. Let's move it along and see what other I-shares of the emerging markets (EEM) in general a nice gain of 19.2 percent. Congratulations on that one.

O'HIGGINS: Thank you.

KANGAS: And the spiders, that's the oil equipment spiders (XES), 6.2 percent gain. Not bad.

O'HIGGINS: No.

KANGAS: Any gain at all in these days is fine.

O'HIGGINS: In a down market.

KANGAS: That's right. I think this was one more, was there? ProFunds Precious Metals (PMPPIX) up 36.4 percent. Still like it.

O'HIGGINS: It's OK. I prefer another one which I'll mention in a little bit.

KANGAS: Let's have some new selections, then.

O'HIGGINS: OK. Well, first we'll start off with the gold miner's, it's a gold miner's ETF. It owns gold and silver mining stocks, principally gold, symbol GDX. And then we have SLV which is the silver, physical silver. Each share represents one ounce of silver. Silver is very cheap to gold. Gold is cheap to paper but silver's even cheap to gold. So silver should do extremely well.

KANGAS: That's a direct correlation between...

O'HIGGINS: Yes. Each share is equivalent to an ounce of silver.

KANGAS: OK. We have time for another election.

O'HIGGINS: The gold GLD is physical gold, ETF and then we have the TIPS, well we have the Canadian dollar which is FXC (INAUDIBLE) directly with the Canadian dollar. Canadian dollar is very cheap to the U.S. dollar. And then lastly Treasury Inflation Protected Securities fund, symbol TIP which should protect you from inflation. Right now the market is telling you that it's assuming that inflation is going to be about 1.4 percent for the next 10 years. I think that's very doubtful and if that's -- inflation's high, these will do well relative to inflation.

KANGAS: Very good. Michael do you own these securities personally or have other disclosure to make?

O'HIGGINS: No. I own them all myself.

KANGAS: You like them all.

O'HIGGINS: I'm trying to survive. I think that's the key in the coming years.

KANGAS: We have half a minute for some final thoughts to our viewers.

O'HIGGINS: I think people have to really get used to the idea that for a period of time such as we've had in the past, from the late 20's to the early 50's, from the 60's to the 80's, you have long periods of time where the market really goes no where. And so you've got to get used to lower rates of return and if the inflation situation that I'm anticipating actually occurs, you really have to get real returns, not just nominal returns.

KANGAS: Very good, interesting comments, thanks very much for being with us again Michael.

O'HIGGINS: Thank you Paul.

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