



## >: 5 Stocks to Buy if Obama Wins

*Wednesday, September 10, 2008 / Teeka Tiwari*

**Editor's Note:** Our weekly telephone call to answer your questions has been posted. [Listen now](#) to hear Teeka answer more reader questions; including ...

- I don't understand why the markets rallied on Monday after the government had to bail out Fannie and Freddie. Can you explain that because it sure sounds like bad news to me!
- What are some stocks or ETFs to buy if Obama wins the election?
- In your opinion, are we more likely to see Dow 10,000 or Dow 13,000 by year end?

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We find ourselves in very interesting times. I can say that in all my years of market participation, I have never witnessed anything like the Fannie & Freddie bailout. The closest thing to it was probably the Resolution Trust Corp. (RTC) of the early 1990s that was used to clean up the S&L crisis.

At the end of the day, I come down on the side of Warren Buffett when he said, "*Whatever they lose from this plan, if they hadn't acted, there were going to be greater losses down*"

Moral hazard, greed, call it whatever you want, but management had a blank check to buy any and all paper being offered, secure in the knowledge that they would be bailed out. The executives of both companies sold out the U.S. taxpayers for the sake of a bigger end-of-year bonus.

But that's done, not even God can change the past. As investors, we need to ask: *Where are we now and where are we going?*

At some point, housing prices will recover, but the Treasury (AKA me and you taxpayer) will take some steep losses because of the amount of fraudulent mortgages that were origi

The problem the Treasury faced was that Fannie's and Freddie's five trillion dollars worth of bonds are hard-wired into the global banking system. Those bonds have been used to secure trillions and trillions of other loans. Should they have gone bankrupt, it would have resulted in a global scramble for cash that would have put the 1907 [money](#) to shame.

So it's done, and just like the S&L crisis of the '80s and '90s, we've got to suck it up and move on. Have no fear. We will move beyond the present day doom and gloom and the sun will shine again for our financial markets. Every 20 years or so, the U.S. banking system goes through one of these shake out periods. Its the Darwinian aspect of capitalism at work. Ultimately, we will emerge from this period stronger and wiser in our dealings. Remember, it never pays to go long-term negative on the United States.

A couple of weeks ago I wrote an article titled [28 Stocks to Buy if McCain Wins?](#). In the spirit of balance, I want to give the same treatment if Obama should win.

To date, the Obama camp has promised more taxes on the rich, windfall profit taxes on oil companies, higher corporate taxes, higher payroll taxes, national health care and energy independence in 10 years. As these policies are attempted to be enacted, they will have very profound impacts on certain sectors. Corporate spending will be driven in very predictable directions.

One of the first things we will see is a movement away from full-time employees to more flexible temporary staffing. As employment costs and corporate taxes increase, you will actually see more reliance on outside consultants. Professional services firms like **Accenture (ACN)**- trading at \$38.92 - should do very well.

One of the big beneficiaries of a higher corporate tax rate will be the nation of Ireland. Ireland enjoys some of the lowest corporate tax rates in the world (12.50%) and a highly educated workforce. If U.S. corporate tax rates do in fact go higher, watch for some big moves out of some Irish stocks as U.S. companies start moving to Ireland. One in particular to put on your radar is **ICON (ICLR)**- trading at \$39.49 - which provides outsourcing services to the pharmaceutical, and biotechnology industries and the stock has been on fire.

To meet the lofty goal of energy independence within 10 years without the use of expanded domestic drilling, coal or nuclear energy will require an enormous allocation of capital to the alternative energy space. Everything from power generation to power delivery will have to be revamped. There will be some obvious companies that will benefit from this spending spree.

**Energy Conversion Devices (ENER)**- trading at \$55.27 -

makes thin-film solar cell products, nickel metal hydride batteries, and phase-change memory devices. While the stock has been roughed up of late, an Obama win could have this one in the stratosphere.

Another player in the alternative energy space that has been flying under-the-radar is **LDK Solar (LDK)**- trading at \$40.76

. The company turns polysilicon into multicrystalline wafers, which are used in the construction of solar cells and solar modules. The company uses recycled materials in its production process and two-thirds of its business currently comes from Asia. With an Obama win, LDK stands to dramatically increase its U.S. business.

Good old **General Electric (GE)**- trading at \$28.81

- could also be a big beneficiary of expanded alternative energy spending. Its going to take a lot of GE wind turbines and a massive infrastructure build out to make wind work and GE has the background and know-how when it comes to monster-sized projects.

At the end of the day, accelerating corporate earnings growth is what drives stock markets higher. I must admit that I am struggling to find where the broad-based earnings growth will come from should Barack Obama win the Presidency. This isn't a partisan thing, it's a business observation thing.

What's your opinion? What stocks or sectors do you think will do well with an Obama win?

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