

>: War Wounds

Tuesday, March 14, 2006 / Teeka Tiwari

Did you know that if a dog is repeatedly abused, the very act of a raised hand will instill it with fear?

Unfortunately, many investors were left with similar emotional scars from the tech wreck of 2000, and -- like most emotional baggage -- it is not easily healed.

And so when we see crude oil down 6% in a week, energy stockpiles at seven-year highs, and commodity stocks getting thoroughly **THWACKED**, it's like an old war wound that begins to throb.

And we think to ourselves, "I can't go through this again," and all of the pain and the hurt comes flooding back.

This is a very normal and a very human response, but it will doom you to mediocre returns if you give in to it.

First of all, let's examine the facts of what actually constitutes a market top.

Specifically, I want you to focus on the market top we saw in tech.

Tech stocks had been on a 15 year run starting from the mid 80's with the advent of the PC and such revolutionary companies as Apple Computer and Microsoft.

Stock prices then peaked in 2000.

But what really constitutes a market peak typically?

What are the warning signs?

Well, markets that peak usually go vertical -- that is, prices go straight up.

Look at a chart of NASDAQ from late 1998 through 2000, and you will see a near vertical chart pattern.

This chart is a clear sign of buying panic.

It is hysteria in a graphical form.

Now let's talk about valuations at market peaks.

Most NASDAQ stocks traded at **INFINITE** price-earnings multiples with massively bloated market caps, at prices never, ever seen before.

Now let's compare that data to the "insanity" occurring in commodity stocks.

Let's look at the mighty stalwarts first: the Exxons, the Anadarko Petroleums, and Conoco Phillips.

You know the companies I'm talking about, the big "evil empire" companies.

Surely they must be trading at truly staggering Price to Earnings multiples?

Right?

As of yesterdays close, Exxon was trading at a lofty 10.4 times earnings!

Anadarko Petroleum was changing hands at the gargantuan multiple of 9.3 times earnings!

Conoco Phillips, that \$150bn juggernaut, was trading at a truly eye popping multiple of 6.25 times earnings!!

This is earth shaking; truly, the next market meltdown is upon us!!!

I think not ...

Hold on a second, hold on a second, what about all of those base metals guys?

about a market top.

Until then, we need to call this what it really is, and that is a **BUYING OPPORTUNITY!**

A handwritten signature in black ink, appearing to read 'Teeka Tiwari', with a stylized, cursive script.

Teeka Tiwari
Chief Investment Officer

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