

>: 2008 Stock Pick...

Tuesday, January 8, 2008 / Jason Jovine

This will be short and sweet, folks. I think that by year's end, you will thank me.

I do not limit myself when I am investing and/or trading, and neither should you. There should be no restrictions on what you buy as long as you understand what it is.

For example, some people just buy stocks or options. I disagree with limiting yourself in this way.

My philosophy is that you should be familiar and comfortable with all the different types of investments because they all serve different purposes and come in handy at different times.

If you were, say, putting together a table, you wouldn't just have a hammer, would you?

My point is that you have to understand that each type of investment represents a different tool in your investment tool box, so to speak, to help to accomplish your financial goals.

You should become familiar with stocks, options, bonds, and ETFs (Exchange Traded Funds) at the very least.

Stocks: Stocks, as you know or should know, represent ownership in the underlying company. In other words, when you buy a stock you become an owner of that company. You can make money from stocks in two ways. First are the **dividends** that the company may pay out, and second is the **price appreciation** of

Options: Options are also called derivatives because they derive their value from what the option contract is based on. In other words, if you buy a call option on XYZ stock, the call option will go higher if the underlying stock goes higher. It *derives* its value from the underlying stock.

Bonds: When you buy a bond, you are, in essence, making a loan to the entity that issued the bond. The entity that issued the bond could have been a business or the government. You make money with bonds from **coupon payments** and **price appreciation**.

ETFs (Exchange Traded Funds):

Obviously, these investments have become popular over the last several years, and I think that they are absolutely terrific. ETFs can be used as a proxy for bonds, commodities and other asset classes and indices without the expense of a mutual fund. They also trade like stocks.

Money strategy now for busy people?

Here is a strategy that I want you to employ right now that I believe will make you between 40% and 50% by year's end.

I want you to buy Citigroup here. The symbol is C and it trades on the NYSE. The price when you read this article should be just over \$28 per share.

I have not recommended a stock in a very long time. Every single stock that I have recommended in the past has gone higher. I believe that this one will not be any different.

I know what is going on in the economy and the stock market (e.g. the mortgage meltdown). I know that oil is about \$100 a barrel, the unemployment rate is 5%, and what is going on internally with Citigroup, but I believe that at \$28 or \$29 per share, it is a good long-term buy.

They are paying a dividend yield of just under 8%. If you buy the stock and simply wait for the price to appreciate, you will receive this nice dividend while you are waiting. If you are not 100% convinced with regard to Citigroup, you can buy put options on your position as insurance.

My price target on C is \$40 by year's end. This is not counting the dividend yield that you receive.

This is a great way to start the New Year.

Happy New Year!

Until the next time, spend your hard-earned money wisely.



Jason Jovine
Chief Investment Officer

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