

>: The Secret to Investing Like a Professional

Thursday, January 24, 2008 / Charles Payne

(Note from the editor: On the morning the market dropped 300 points I spoke with my friend Charles Payne, C.E.O. of Wall Street Strategies. I always enjoy talking to savvy Wall Street operators with a lifetime of market experience. On that day I asked him what he was saying to his clients in the face of such a huge market decline. Within minutes, he sent me the following note he sent to his clients that morning - before the market rocketed up in the afternoon. I hope you enjoy it as much as I did. - Dylan Jovine)

Despite thousands of books written on the topic many investors flee when the market pulls back. The oldest axiom on the stock market: Buy low, sell high, is generally ignored as most would rather pile in after there has been a big move and sell after there has been a big decline. This is why the rich get richer; they hold during downturns and often buy on weakness. That said it is human to worry but we have so much history to lean on and so many tools to evaluate the market these days. The same people that complain when they take profits too soon lament when their in stocks that are against them. If that thinking could be tweaked it would make all the difference.

Currently the reasons to hold and to also be a buyer include the following:

- %u27A2 Stocks are cheap, even with slower earnings growth stocks are as inexpensive as they've been in years

- %u27A2 There are tools to stave off or mitigate recessions and economic slowdowns

- %u27A2 Recessions are short-lived and the ensuing rebounds have yielded huge windfalls

- %u27A2 The world's economics are still growing, there are still millions more poorer people than well off in emerging markets, many of them will move into the middle class over the next decade

I think lower rates will spur the economy, we already see it in mortgage application numbers out this morning. The last two weeks have seen the greatest surge in refinance in years (I happen to think home builders are a great investment). I think the economic stimulus package will help, too, although I have some misgivings with it.

There are positive signs:

- %u27A2 The rails have posted fantastic numbers, CSX yesterday and NSC this morning.

- %u27A2 Financial stocks are rebounding

- %u27A2 Warren Buffett is putting money to work (in dangerous industries)

- %u27A2 US consumers will spend more than \$9.5 trillion this year (our estimate)

- %u27A2 The global economy will march ahead with the occasional hiccup

- %u27A2 Sellers seem to be exhausted

The fact is you should be a buyer now. I know a year from now you'll regret tossing in the towel; perhaps you'll regret it sooner than that. I implore you to not only stay the course but to make money. Initially it will be from oversold trading ideas but in the long run it will be from

owning solid business that were extremely oversold. I can't say the ext week or months will be smooth sailing, more than likely they won't be. Major indices are off anywhere from 15 to 20% and individual stocks have been murdered. A large part of the selling is unjustified.

There is a tsunami of bad news and the business cycle is at work here there is a slowdown, one that was long coming, but when investors bought in the midst of this in the past they made a lot of money. The other part of this story is the FACT that when investors get completely out of the market they don't come back and they never make the money they should. I've seen it first hand, for me it's frustrating and heartbreaking, too. I'm not calling for a bottom, but I'm SCREAMING this is the time to be ready to make a lot of money not take large losses.

Charles Payne

C.E.O.

Wall Street Strategies

Charles Payne