

## Investment Tips

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The other day an old client of mine asked me to come up with a short list of high quality stocks that have been “pulverized” in the markets over the last 18 months. The only specifications were that they must have a favorable earnings trend and have a dividend return of at least 6% a year. I decided it would make sense to pass my findings on in this publication. Here they are:

Bank of Ireland (IRE, NYSE 55) – Standard & Poors shows a mean earnings estimate of 8.16 for 2008. This puts the price at less than 7 times earnings. The annual dividend return would be approximately 6½ %. The two-year high is 100.37.

Pfizer Inc. (PFE, NYSE 20) – Standard & Poors mean estimate for 08 is 2.38. At 8.4 times earnings the shares are certainly not overpriced. The annual dividend of 1.28 gives PFE a current return of 6.4%. The old high is 50.04.

Danaos Corp. (DAC, NYSE 24 ½%) – The Standard & Poors mean is 2.02, putting the shares at roughly 12 times earnings. The 1.86 dividend looks solid for a 7.4% dividend return. This company is a major factor in the ownership and leasing of container ships. Their customers are the biggest shipping companies, like Maersk. The 07 high is 40.26.

Your broker can give you more information on these three companies. They are certainly worth looking at if you are seeking to “have your cake and eat it too.” You would have a high dividend return while you waited for the recovery. By no means are these blanket recommendations. Check with your broker or financial advisor to see if they suit you.

I am still not a “bear” on the market. We must be selective and value oriented. The only way to buy low and sell high is to have the courage and patience to step into undervalued situations before they recover. I should add that I, personally, own IRE, PFE, and DAC.

Many of us have done well on the oil stocks. I regularly get the question...are they topping out? The situation is just a cycle and we will see sharply lower prices in the years ahead? I wish I could be more optimistic. The fact is that we have done this to ourselves with policies and laws that have permitted crude oil pricing to get away from us. We have more oil in the Western Hemisphere than they do in the Arab world. Unfortunately, our oil is high sulfur, heavy crude. Most of the Arab oil is light and sweet. It's the only oil that most of our refineries can make into unleaded fuel. This is why little oil is pumped from Texas; Oklahoma is shut down and the Gulf of Mexico fields are underutilized. The answer is to build more modern refineries and convert the existing facilities into plants that can handle our heavy crude. No tax incentives have come forward to encourage these changes. On top of that, the environmentalists will fight against new construction or even the pollution control modifications that would permit older facilities to refine our hemispheric crude. In the meantime, demand for gasoline continues upward.

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The ANWAR would have really helped because of the low sulfur content in its crude. Most of our existing refineries could have processed ANWAR oil. The environmentalists killed this solution because of the “natural treasure” that is this pristine wilderness. Nothing could be further from the truth. The ANWAR is not the mountains and forests shown to us on television. It is an enormous tundra with very little natural beauty and not really necessary for the wildlife population. That’s why the native Alaskans up there are strongly in favor of the oil development. Everybody would benefit. I, personally, have seen the area and write from first hand experience. Alaska’s North Slope oil is heavy. Most of this goes over seas. In my opinion, the caribou love the warmth from the pipeline.

In summation, there is nothing in our current oil policies that point to anything but higher oil prices. Hang on to your oil stocks. They are the only way to protect yourself from the higher prices that can only increase the price of the oil company shares. If you don’t own any already, you should buy some as soon as possible. Talk to your broker.

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