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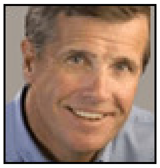

This Bull Market Will Linger

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Expect to be surprised by both the strength and the duration of this bull market. Here are four reasons why this bull has years to run.

First, many stocks are still crazy cheap. For example, I'll recommend a stock later in this column that's priced well below its net working capital. There are still plenty such bargains, a clear indication that this bull is young.

Second, virtually no one believes this rally. Fund flow data show investors are forgoing stocks in favor of bonds. It's classic early-cycle stuff: Investors don't move from risk-free cash to stocks in the early days of a bull market. They gradually take on more risk, beginning with a transition from cash to bonds, with capital allocated to higher-risk investments, such as stocks, later in the cycle.

The third reason: We're just now entering the sweet spot in the profit cycle, when lean-to-the-bone operating structures meet an economic upturn. By late next year, profit margins will rebound to historic norms, a result of massive cost-cutting and capacity shrinkage. Because many companies cut too deep during the recession, you're even going to see a lot of companies exceed historic profit margins. Take peak margins with a grain of salt, though. In the aggregate, business has underspent for a few quarters running. To maintain their competitive position, they'll have to ratchet up expenses again.

The fourth reason is time. Bull markets are long, lingering affairs, while bear markets are fast and furious, and it's all because of confidence. In a bear market, confidence is lost in heartbeat, and the resulting damage to stock prices is often stunning. During the mega-bear market just past, for example, the Russell 2000 dropped more than 50% in the space of eight weeks. In the wake of such a blitzkrieg, it will take years for enthusiasm and complacency to gain a foothold in the market.

An Update on My Stock Picks

After a brief hiatus from writing for *RealMoney*, I returned exactly one year ago with a series of columns in which I urged investors to buy stocks, saying, among other things, that it was the "sale of the century." Clearly, I was too early, as the market didn't begin to improve until March. In that series of columns, I recommended 27 stocks, including a Top 10 list for 2009. In this, my regular Monday morning column, I'll update each one of those picks as they approach their one year anniversary, beginning below, with the four picks made on Oct. 15 of last year.

Dell Computer (DELL) : I'm not proud of this stock pick. Recommended at $14.08 per share, it's generated a return in line with the market (about 7%). There were many better alternatives to Dell one year ago, and the same is true today. It's a $60 billion company in sales, trying to transform itself, a problematic proposition given its girth.

Expedia (EXPE) : Up 122% since I recommended it a year ago, this stock has retraced much of the price decline suffered during the mega-bear market. Given the recent run-up in price, it's no longer a compelling buy. Capital is better deployed into stocks that have yet to rebound. I should note that the stock dropped about 30% in the six weeks following my recommendation last year. For a value investor, a price drop is an opportunity to buy more shares, and so I recommended it again, on Dec. 1 (it's up 204% since), and I included it in my Top 10 list on Dec. 30 (up 210% since).

Tecumseh Products (TECUA) : Even though it is down 37% since I recommended it one year ago, I expect to make a hefty profit owning this stock. It's a compelling buy based on its balance sheet alone. After the company receives tax refunds and monies due from an overfunded pension, its net cash will approximate the $220 million market value of the stock. Another source of value is in its earnings power. I think the company will generate cumulative cash earnings equal to its $220 million market value over the next five years.

Boeing (BA) : With an order backlog that stretches out more than five years, this is a particularly appealing stock for conservative investors. Though it's up 16% since I recommended it, more than twice the **S&P** return of 7%, there is much more upside in this stock. From $51 per share currently, I expect the stock will reach my $100 target in two years.

Look for my column again next Monday, when I'll update picks and pans from year-ago columns, with updates on companies such as **Kellogg** (K) , **Johnson & Johnson** (JNJ) and **Men's Wearhouse** (MW) , among others.

At time of publication, Alsin and/or ACM was long TECUA and BA, although holdings can change at any time.

Arne Alsin is the founder and principal of Alsin Capital Management, a California-based investment adviser. Under no circumstances does the information in this column represent a recommendation to buy or sell stocks.
