

Investors can reap benefits of stimulus package

Following Barack Obama administration's priorities can pay off

By Andrew Leckey (Excerpt)
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Economic stimulus packages, which are tricky and never a sure thing, are designed to prime the pump.

With the government hoping to revive the economy in 2009, 2010 and beyond, the varied measures include tax cuts, job creation, unemployment benefits, broadband access, alternative energy and health-care benefits.

How investors can benefit from a batch of stimulants depends on how those components are handled, how long it takes, actual results and whether national morale improves.

Industrial stocks have been hit hard during the past year of recession, and Freeman said that with the market down sharply, it makes sense to add to your portfolio the stocks of companies that could benefit from a stimulus package.

"This is going to play out over time and won't be a 'day trade' opportunity for anyone," said Arthur Hogan, director of global equity for Jefferies & Co. in Boston. "Investors needn't worry about getting into a particular basket of stocks early to avoid missing the boat, since we'll find out incrementally where the best places to put money will be."

But he does see investment possibilities. For example, clean or renewable energy technology firms could benefit from the plan. In addition, the intent to expand broadband access could be a boon to those router firms that handle data.

Hogan's stock recommendations to capitalize on those goals:

- First Solar Inc., which designs, manufactures and sells solar electric power modules using a proprietary semiconductor technology, continues to expand capacity and improve efficiency.

- Covanta Holding Corp., a leading provider of energy-from-waste services in the U.S., Europe and Asia, operates 57 facilities that convert solid waste, biomass and landfill gases into renewable energy.

- Cisco Systems Inc., world's leading supplier of data-networking equipment and software, enjoys significant economies of scale and is using the recession for low-cost acquisitions.

- Juniper Networks Inc., which designs and sells end-to-end networking equipment to the largest global telecommunications providers and government agencies, has plenty of cash and no debt.

Then there is the eagerly awaited return of the American consumer, thanks in part to tax reductions.

"We're going to see more spending at the discount or lower-priced retailers because people will want to get more bang for their buck," said James Swanson, chief investment strategist for MFS Investment Management in Boston, who recommends the stock of retailers Kohl's Corp., Costco Wholesale Corp. and Wal-Mart Stores Inc.

Swanson said Obama talked from the beginning of his campaign about "re-electrifying" the nation's grid system. Two beneficiaries of that, Swanson said, would be the giant engineering, construction and maintenance companies Fluor Corp. and Jacobs Engineering Group Inc.

"Fiscal stimulus is a good thing because the government is actually doing something and that should help," said David Kudla, chief executive and chief investment strategist for Mainstay Capital Management in Grand Blanc, Mich.