

# Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



## Are There Any Investment Bargains These Days?

The stock market keeps going up and many big name stocks seem overpriced. Are there any investment bargains these days in overlooked stocks, sectors or markets? *USA Today* writes about **small cap stocks**, their promise and their risks.

*If you don't currently have holdings in these stocks or related funds, it might be time to add some to your portfolio. Small caps can diversify portfolios and bring higher growth potential albeit with higher risks.*

Because small cap stocks are often new companies with growth potential they may be investment bargains or they may be death traps because of their narrow focus. As a group small cap stocks often tend to outperform large caps. The trick is to have enough of these in your portfolio to balance the risk of a couple of losers. Today that is easy with an ETF that tracks the **Russell 2000**. *Investopedia* explains.

*The Russell 2000 index is an index measuring the performance approximately 2,000 small-cap companies in the Russell 3000 Index, which is made up of 3,000 of the biggest U.S. stocks. The Russell 2000 serves as a benchmark for small-cap stocks in the United States.*

In your search for bargain investments these days one place to look is at small cap stocks. Another option is to look offshore. While the US market seems to be topping out there may be room to grow in Europe and elsewhere. *Investment News* looks at how much of your portfolio you should allocate to **foreign investing**.

*Most experts agree that adding international stocks increases your opportunities: U.S. stocks account for just about 54% of the world's stocks, measured by market capitalization. Europe and Asia account for 22% and 20%, respectively.*

*Sam Stovall, chief investment strategist of U.S. equities at CFRA Research, says that their baseline allocation for international stocks is 25%, which he says has produced the best risk-adjusted return since 1969, when the MSCI indexes were first created. In portfolio composed of 60% stocks and 40% bonds, that translates to 45% U.S. stocks and 15% international.*

The point of going international is that when the US market cools there is often a rally in Europe or Asia. Allocating part of your portfolio to these areas insures that you will not miss out on offshore opportunities. The best approach is to pick a fund that invests in a given offshore sector or pick ADRs of foreign stocks so that you are actually trading foreign stocks in a US market.

### **Knowing Something the Market Does Not Know**

There are always companies that have just adjusted their business plan, invented a new product, expanded their market or have done something else that will bring in profits and drive their stock price up. Small companies in this position are often overlooked by analysts interested in multibillion dollar companies. The clues to these companies are often right in front of you. An example was given by Peter Lynch the Magellan fund manager who years ago took his wife and pre-teen girls to the mall and watched as their girls and hundreds of others descended on a new clothing outlet, Gap. The stock eventually made a big splash but the evidence was right there for anyone to see as young customers bought out their stores week after week.

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