

Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



End of the Year Stock Bargains

Christmas has come and gone and it is time to look for end of the year stock bargains. **Fundamental analysis** of stocks is always the key to picking up bargain stocks but where do you look and what are the important factors that will drive stock prices? Here are few suggestions about where to find end of the year stock bargains.

Stock Index Fund Readjustments

Index funds typically readjust their portfolios at the end of the year so that they will continue to reflect the mix of stocks and their values in the index they follow. If a stock has had an especially good, or bad, year the funds will either sell or buy shares to readjust the relative weight of that stock in the portfolio. This commonly causes a rise or fall in stock price depending on whether funds are buying or selling. Look for who has had an especially good for bad year and buy or sell accordingly for end of the year stock bargains.

Money Manager Portfolio Adjustments

Money managers like to end the year looking good to their customers. Thus they often buy or sell in order to clean up and improve the look of their portfolios. Again, look for stocks that had especially good or bad years and expect to see a small end of the year nudge up or down as portfolio managers adjust their portfolios.

Where the Market Is Going Next

The United States economy is on the mend. The annualized GDP came in at 5 percent for the last reported quarter. That is spectacular growth. According to Jim Cramer, the *Mad Money* guy, many **stocks are winners** in this sort of scenario.

“When you get this kind of gross domestic product activity, it’s just too big to ignore,” said the “Mad Money” host.

So, in response, Cramer wants to teach investors how to think like a money manager.

The perfect stock for the moment? Kimberly-Clark (KMB). This stock received numerous benefits from a big GDP number. GDP growth means that wealthy people will spend more money on better brand-name products.

The point of Cramer’s analysis is that you can predict investment and spending trends based on the amount of money flowing through the economy.

And Sectors to Avoid or Sell at Year End

Forbes reminds us that **biotech stocks** had a great rally in 2014. There is compelling evidence that biotech will not be strong in 2015 and could take losses.

Will the rally continue in 2015?

We cannot say for sure. What we can say is that certain favorable factors (e.g. healthcare policies, demographics and new product approvals) will provide tailwind for biotechnology stocks. At the same time, the industry will face two threats that may end up slowing down or even derailing the rally.

First is a strong US economy — GDP is growing at 5%, according to the latest government data. That could force the Federal Reserve to raise interest rates sooner rather than later. And that could spell trouble for the sector, as it will signal an end to cheap margin-borrowed money, which has been propelling shares of some revenueless biotech companies into the stratosphere.

Then comes approval of new drugs, which creates competition for blockbuster drugs – which is expected to undermine pricing power and profitability in the industry.

Forbes and others hold up Gilead Sciences as an example. The company lost twenty percent of its value recently as a customer switched suppliers for a high tech drug.

Oil Stocks

Oil stocks have been beaten down in the last six months. It is unlikely that the price will crude will drop much farther. And, eventually, the economies in Europe, Japan and China will pick up again. This will be good for oil stocks. Business Insider thinks now is a good time to **buy oil stocks**.

I can't say when oil will begin to recover or by how much. What I can say is this: For far too many investors, by the time they gain back the confidence to put money into oil stocks again, the rally might have already taken off, making it challenging to capture the full benefit of the upswing.

Oil tycoon T. Boone Pickens recently told Mad Money's Jim Cramer that oil would return to \$100 within 12 to 18 months.

The best of end of the year stock bargains may be the recently beaten down oil stocks!

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