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THE TIME TO BUY INTO STOCKS AND SHARES MIGHT WELL BE NOW

International equity markets have suffered a material correction for entirely the wrong reasons, in this medium's opinion.

There could well be a determined bounce back – which is likely to be as violent as the corrections of May and June.

Globally, key indices of equity markets have fallen out of bed due, in the main, to fears of much higher inflation in the US and fears that the US Federal Reserve would increase interest rates at its next Open Market Committee Meeting (June 28-29) by either 25 basis points or 50 basis points.

TARGET () cannot, of course, preempt The Fed's determination, but wonders:

> *Is the fear factor worthy an international correction in key indices of major equity markets in the neighbourhood of 6 percent, all in the space of 3 weeks?*

This correction seems to be overdone.

There was a time when the market value of equities was based, in large part, on the prospective earnings' potential of a company.

What happened to those fundamental values?

After the next Wednesday's and Thursday's Open Market Committee Meeting of The Fed, when people determine that all is not completely lost, after all, it is quite likely that many investors will recall the old, tried-and-true principles that were formerly used to determine the market value of shares of publicly listed companies, things, such as the fundamentals of companies: Earnings' Growth (historic and prospective): Net Asset Values; Current Ratios/Quick Ratios; Profit Margins; Price-Earnings Multiples; etc, etc, etc.

Some things never go out of style, unlike brand-named, fashionable women's clothes, which change with the seasons.

Since May, equities around the world have come under pressure as investors ponder the future direction of interest rates and whether or not inflation would rise to such an extent as to cause central banks – the European Central Bank and The Fed, in particular – to institute measures to contain the dreaded inflationary tendency, the product of rapid economic advances.

It is a certainty that central banks will take action; and, the weapon of choice is, of course, higher interest rates.

However, as far as **TARGET** can fathom, the international correction on equity markets has been badly overdone, of late.

This would suggest that there is an opportunity to take advantage of this situation because an abrupt and very fast reverse correction could well be on the cards.

As inflationary fears recede and investors realise that corporate growth is, still, in place (actually, there have been few changes), then, as any tennis player will tell you: *'Hit the ball in the sweet spot of the tennis racket.'*

Corporate earnings, after all, are what should drive the prices of equities, not the fear factor about The Fed, North Korea's mad leaders, Iran's fundamentalistic Government, and so on.

The bottom line for equities is, and it will always be: What potential has this or that company to earn more money in the years to come; and, what is likely to be the yield on an investment in this or that company?

Some things never go out of style, it seems to **TARGET**: People will, always, eat; transportation will, always, be required; communications will, always, be a necessity; people will, always, wear clothes; and, sex is here to stay.

In terms of prospective earnings' potentials, due to the violent, stock-market corrections since May, many counters are attractively priced and, no doubt, fund managers are quietly picking up stocks and shares in their *'darlings'*.

This is not to suggest that, long-term, things will not change because, for certain, they will change.

As **TARGET** has stated, many times in the past, a successful investor in stocks and shares must be like the chameleon which, as it passes over the patterns of a tartan rug, changes its colours.

The colour today for investors appears to be green: Go!

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