GOLDEN GLOBES » Shimmer, glamour and Plummer

Red carpet sizzles, Plummer strikes gold, The Artist and The Descendants win best picture as Oscar night nears PAGE A3

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Rewards come to the optimistic investor

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For a few brief moments last week, the news coming out of Europe on the debt and economic fronts wasn't all dreadful.

Spain and Italy managed to peddle a combined €22-billion worth of bonds at lower rates than they had been forced to pay just weeks ago. And European Central Bank chief Mario Draghi sketched a marginally-less depressing picture of the slumping euro-zone economy: "According to some recent survey indicators, there are tentative signs of stabilization in activity at low levels," Mr. Draghi intoned. That, it seems, was enough for the ECB to stop cutting interest rates.

But just in case some deluded souls were tempted to think the flood of woe might have crested, along came Standard & Poor's on Friday to strip France and Austria of their triple-A credit rating, among other euro area cuts. News of the impending downgrades and a decision by Greece's creditor banks to break off floundering debt-restructuring talks had the usual impact on jittery markets around the world.

As the latest bulletins from euroland flashed on one of the several screens on his crowded desk, Bay Street veteran David Prince sipped cappuccino and talked about how much his business has changed over the years. "Never did I think in my investment career that I was going to be fixated on Europe, China, Japan and North America simultaneously. But the reality is that globalization has changed how we view investments and how we look for investment opportunities."

And that, in turn, has led to what Mr. Prince describes as an inordinate focus on every bad news blip, a process fed by the celebrity permabear analysts who rarely encounter a positive development they can't discount.

"Negative headlines from Europe keep swarming the markets and cap any New Year equity enthusiasm," the principal of Harbinger Capital Markets Research wrote in his latest weekly analysis, which offers market insights and trading strategies to institutional and other investors searching for "a different view from what is being preached on the Street."

Mr. Prince, who has been in the game for four decades, argues that even in this globalized age, it's often better from an investing standpoint to stick closer to home. "Had you simply focused [in 2011] on good themes at a corporate level, you would have made a number of very good picks in the Canadian market."

There is more money to be made this year, and not just in the three areas investors are always told they must own in Canada – energy, mining and financials. He notes that such diverse, non-resource hits of 2011 as **Lululemon**, **Westport Innovations**, **Tim Hortons**and **Dollarama**still have room to run.

Investing legend Warren Buffett once declared with some exaggeration that he never paid any attention to the various economic twists and turns and didn't care whether the gross domestic product or jobless rate rose or fell in any given month. Basing investment decisions on data often destined to be revised later meant being governed by emotion and following the market herd.

And if that's the case, imagine trying to make sound bets based on the actions or inactions of late-to-the-party rating agencies, dithering eurocrats and politicians worried about their career prospects. What's worse, the euro zone crisis is masking what Mr. Prince regards as positive economic developments in the U.S. and Asian markets.

"I think 2012 is going to have the same type of attitude," says Mr. Prince. "Don't get so mesmerized by big macro issues. Spend more time on micro issues, because you'll find companies will either be taken out, merged or have terrific returns for you again."

A pick-up from renewed stimulus spending in China, "reasonable" growth in the U.S. of between 2 and 3 per cent and at least a calming of the European debt crisis "will take away a huge negative and instill more confidence" in equity markets, says Mr. Prince, who played an important role in the creation of the world's first exchange-traded fund a quarter of a century ago.

He bases his optimism about the U.S. recovery on a close study of his favourite gauges of economic health – trucking, rail and other transportation activity. A strong pick-up in U.S. truck shipments last August signalled that the retail sector was getting healthier. Higher metal deliveries were a positive sign for the auto sector. And the recent truck and railcar data have been nothing short of phenomenal, he exclaims.

But when it comes to the equity markets, Mr. Prince adds a caveat. "One required event for 2012 is the end of the global fear trade," he says. "If you bet that there's going to be another big win for the bond market this year, then you are betting on an abysmal economy and a pretty ugly environment. I'd rather be looking at something where there's a positive outcome."

So should we just ignore future instalments of the ongoing European soap opera or the latest ramblings of Dr. Doom, Nouriel Roubini, and his fellow travelling gloomsters?

"Well, pay less attention to them. You would have been better off in 2011 avoiding them. But people … wanted to hear bad news, because they were underperforming so badly themselves. It's the old story: Misery did need company."

Bay Street Veteran David Prince is optimistic about the U.S. recovery in part because of increased truck shipments. WENDELL FRANKS/ISTOCKPHOTO

STOCKS THAT ARE ON A ROLL

David Prince points out that many of the stocks below have done exceptionally well since the start of 2011 despite macroeconomic jitters – and he still likes their prospects.

AMERICAN RAILCAR INDUSTRIES

Hey, if you're a big rail fan, you ought to like a company that builds the rolling stock. **Total return since start of 2011:** 29.37 per cent

DOLLARAMA

Getting pricier, but the dollar store model works. **Return:** 52.14 per cent

ENBRIDGE, TRANSCANADA

Pipelines and utilities are doing well in U.S., but the Canadian players outperform their American counterparts. **Returns:** 33.76 per cent (Enbridge), 16.43 per cent (TransCanada)

DRYSHIPS

Greek-based operator of bulk carriers and ocean drilling rigs. Strictly for risk-lovers. **Loss:** 58.64 per cent

LULULEMON ATHLETICA

Mr. Prince advised his daughter not to buy it when it was a mere $29 a share. Now a much more expensive proposition, but it's hard to argue with its performance. **Returns:** 85.86 per cent

SXC HEALTH SOLUTIONS

It's all about making health-care delivery more efficient, a big U.S. theme. **Return:** 46.15 per cent

TIM HORTONS

All those truckers have to stop somewhere. **Return:** 20.36 per cent

TRINITY INDUSTRIES

A big U.S. producer of transportation equipment. **Return:** 21.24 per cent

VALEANT PHARMACEUTICALS INTERNATIONAL

Fits in with the U.S. revival of pharma stocks. **Return:** 78.15 per cent

WESTPORT INNOVATIONS

To play recovery of U.S. trucking industry and huge demand for more fuel-efficient engines. **Return:** 86.76 per cent