

BUSINESS

SUNDAY BRIEFING

MARKET BUZZ

Sunday, August 17, 2008

CHINA'S SUPER CYCLE

It's hard to peer very far out onto the stock market horizon when prices are whipsawing -- you just want to make it through the day. But a long-term perspective is especially crucial during periods of turbulence.

When **PAUL DIETRICH** gazes into the distance, he is looking further than the usual two-to-four-year perspective of most money managers. Dietrich, chairman of **FOXHALL CAPITAL MANAGEMENT** in Alexandria, has set his sights on what he calls global super-cycle investment trends spanning seven to 10 years.

Discovering a potentially lucrative super cycle, Dietrich thinks, is a lot easier than uncovering -- and investing early in -- the next mega-company such as Google. Super cycles reflect long-term trends based on global transformations, demographics, supply and demand pressures. Some examples: health care, because of the aging boomer population; and energy and food, because of swelling demand from emerging economies.

One super cycle Dietrich really likes is the infrastructure boom in China. Although the Chinese market has stumbled badly this year, the country's major infrastructure projects remain on track. Several years ago, the Chinese government committed nearly \$1 trillion to building hydroelectric dams, nuclear power plants, ports, bridges, electrical and telephone grids, sewer systems and tens of thousands of miles of superhighways. With the engineering studies done, the projects are now under way or gearing up. And they will suck up huge amounts of steel, concrete, copper and other commodities and provide long-term contracts to engineering and equipment companies.

Stocks that Dietrich pegs for steady windfalls are: engineering firms Fluor and Jacobs; steel-maker POSCO; commodities companies Alcoa, Rio Tinto, BHP Billiton and Freeport-McMoRan Copper. Other China infrastructure plays he recommends: General Electric, Siemens, L-3 Communications, ITT, Cummins, Caterpillar, Cisco and Toshiba, whose Westinghouse unit supplies nuclear power equipment.

—Steven E. Levingston