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# How to invest when the economy cycles up and down

The economy moves in cycles. In prosperous times, rapid economic growth tends to help most of us earn and keep more money, and it generally helps companies prosper as well. During a downturn or recession, common in the fourth quarter, more consumers and businesses find themselves facing financial challenges.

The same kinds of cycles can influence the stock market, as well. There are some companies that enjoy a rather steady stream of business regardless of economic trends, namely consumer staple stocks – products that people need regardless of the economic environment. These are basic necessities, ranging from food to toothpaste to electricity in your home.

Other companies build their business around products or services that can be affected, at least in part, by economic trends. These are referred to as cyclical stocks. Their performance tends to be driven by market or economic cycles. Cyclical stocks can offer attractive opportunities for investors, but it is an area of investing that requires knowledge research to understand the potential and avoid serious mistakes.

**AN EXAMPLE OF CYCLICAL INVESTING**

Trends in the housing market in recent years offer a good example of cyclical stock investing in action. For instance, home construction companies will benefit greatly when the housing market is enjoying strong growth as it did earlier this decade. But when a slowdown occurs, the market becomes more difficult.

The Dow Jones Home Construction Index (a group of stocks tied to the homebuilding industry) declined 20.69 percent in 2006. In that same year, as oil prices began to steadily rise, the Dow Jones Oil & Gas Index (made up in part by energy companies that were recording

record profits) rose 20.31 percent, according to the Wall Street Journal.

In both cases, the cyclical nature of the economy had a significant impact on these businesses. With demand for oil rising due to rapid economic expansion worldwide, oil company stocks were poised to ben-

*"Investing in cyclical stocks involves a narrow focus on the market, zeroing in on specific industries that are likely to be affected by economy trends."*

**Mureleen Benton**

efit. With a housing "bubble" beginning to deflate nationwide, homebuilders were seeing slower activity, reducing their profits and making their stock less attractive.

**CYCLICAL TRENDS AFFECT SPECIFIC INDUSTRIES**

Investing in cyclical stocks involves a narrow focus on the



**MURELEEN BENTON**  
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market, zeroing in on specific industries that are likely to be affected by economy trends. Sectors of the market that are considered either entirely cyclical, or are made up in part by companies that are viewed as cyclical in nature, include:

- Basic materials – metals (gold, aluminum), steel, timber, coal
- Capital goods – large machinery and electronic equipment
- Communication – telephone and other telecommunications related businesses
- Consumer discretionary – automobiles, home furnishings, retail stores, houses
- Energy – primarily oil and gas and related industries
- Financial – banks, brokerages and insurance companies
- Health care – biotechnology and medical equipment companies

See Financial, page A13

## Happy New Year!

**Clayton's 2007 Stats:**

Pending sales now in escrow: 10  
 Closed sales: 125 (10 + per month avg.)  
 Still available on MLS now: 53

**Clayton's 2008 Future:**

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# What's in a name? Don't ask the U.S.B.G.N.D.N.C.

ANDRÉ GENSBURGER  
 Clayton Pioneer

Names of places usually are taken for granted. It is assumed that famous citizens will likely see their names on streets, mountains, canyons and parks, but the procedure to do so is rarely examined. The city of Clayton was obviously named after founder Joel Clayton, but other names may be less obvious.

In August 2006, the United States Board on Geographic Names, Domestic Names Committee (U.S.B.G.N.D.N.C.), approved a motion to change the name of Goethis Canyon, just south of Irish Canyon on the outskirts of Clayton, to Goethals Canyon, correcting the name that had been misspelled since 1953.

The change had been proposed by an unidentified Clayton resident who, in all likelihood, was not aware of the complicated and strictly followed procedure in place for the naming and renaming of landmarks and natural features in the United States.

"With as much evidence to support this name change, you would think that it would be a simple matter," said Jennifer Runyon, chief researcher for the geographic names board, a branch of the United States Geological Survey in Washington, D.C.

Upon submission, the board contacted local government agencies to clarify the validity of the changes requested.

"We are a reactive body,"

Runyon explained. "We are not the ones to initiate anything; we present the information and see what turns up."

Typically, agencies are given an unspecified time to respond. Usually, a response is given quickly, although there are cases where no response is made.

"In these situations, we set a meeting date and notify the agency that unless we hear back, we will assume that there is nothing to prevent approval of the request," Runyon said.

California has the State Geographic Names Authority and from them the California Advisory Committee on Geographic Names, that meet twice a year. They examined the request and reported up the chain. The United States Board meets monthly, so once approval was received from the state level, finalizing the request was "swift."

The Goethals Canyon name change took one year to complete.

"At this time, the County Board and Mapping agencies are notified in writing," Runyon said.

"The changes are logged, however new maps are not issued until their scheduled date, so changes

may not show up quickly."

"In the case of Goethals Canyon," said Janet Easton, Vice-President of the Clayton Historical Society, "the naming was in honor of Gustone L.

"Gus" Goethals, a native of France who had moved to Clayton in 1888.

Employed as a news writer and correspondent, he submitted articles to The Transcript and The Daily Oakland Enquirer.

Goethals was also a Justice of the Peace, and a skilled carpenter who not only built his own home, but also his office (now the right hand side of Moresi's

Chophouse). Additionally, he sold real estate and insurance."

"He was regarded by the community as a 'walking encyclopedia,'" Runyon reported from the official name change request.

"There are about 300 requests submitted yearly, some for corrections, as well as new names," Runyon said. Commemorative names require the person to be deceased for five years. About 90 percent of the requests are approved.

Goethals died in 1925. However, his canyon is now correctly spelled.



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