



Children eat at a McDonald's restaurant, the world's largest restaurant chain. KRISTIAN DOWLING/GETTY IMAGES

'Happy Meals' challenged by lawsuit

Epoch Times Staff

Consumer nutritional watchdog The Center for Science in the Public Interest is threatening to sue McDonald's Corp.—if it does not stop using toys to promote its Happy Meal kids' meals, which the group has labeled as “junk food.”

“McDonald's use of toys undercuts parental authority and exploits young children's developmental

immaturity—all this to induce children to prefer foods that may harm their health,” said the Center's litigation director, Stephen Gardner, in a press release.

“It's a creepy and predatory practice that warrants an injunction.”

The Oak Brook, Ill.-based McDonald's is the world's largest restaurant chain, with more than \$22 billion in revenues earned last year.

PC sales set to surge in 2010

Tablets sales to explode, research suggests

By ANTONIO PEREZ
Epoch Times Staff

Sales of personal computers are expected to grow 19.8 percent during 2010, due to the global economic recovery and strong expected sales in both the consumer and corporate markets, according to a study by market research firm IDC.

IDC found that unlike last year's mini recovery—sales increased in the netbook segment of personal computers—this year's sales rebound is expected to be across the board, including on higher-priced computers.

During the first months of 2010, IDC found that desktop PCs, the main component of corporate PC sales, increased for the first time since the second quarter of 2008, when the global recession hit the business sector.

“Beyond continuing with the market recovery, 2010 will be a year filled with new formulations on what constitutes the PC experience,” said Jay Chou, research analyst with IDC's Worldwide Quarterly PC Tracker, in

a statement.

“New devices such as e-readers and media tablets will pose disruptive challenges to conventional usage models while opening up intriguing possibilities in consumer and mobile business spaces.”

TABLETS TO DOMINATE?

Forrester Research estimated that 6 percent of all PC sales this year will be in the form of tablet computers—we can thank the popularity of Apple Inc.'s iPad for that statistic. The iPad has sold more than 2 million units since its introduction two months ago.

But Forrester also predicted that by 2012, tablet computers would outsell netbooks and take up to 18 percent of the PC market, which would also exceed sales of desktop computers.

So far, Apple is dominating the tablet computer market, while rival computer makers such as Dell Inc. and Hewlett-Packard Co. are left waiting for Redmond, Wash.-based Microsoft Corp. to develop its own Windows 7 tablet edition.

Much of the iPad's success caught the industry by surprise. Apple's 2 million iPad units sold exceeded even its own expectations.

A Bloomberg report cited insiders that said makers of PCs are turning to manufacturers to install Google



A Toshiba PC laptop at a Microsoft Windows press event in Tokyo. Sales of PCs are expected to grow 19.8 percent during 2010, due to the global economic recovery and strong expected sales in both the consumer and corporate markets. TOSHIFUMI KITAMURA/GETTY IMAGES

Android-like operating systems onto tablets to compete, as Windows 7 is too energy-consuming to run on tablet computers.

HP, which acquired Palm Inc. this year, may be developing its own operating system for tablets based on Palm's webOS operating system.

The euro melodrama: Part I

By MANNY DRUKIER

Many people may well be perplexed by the term “sovereign” debt—or in other words, bonds issued by federal governments. After all, a government can let the presses run, and print money—up to a point.

Barely 10 years ago, Argentina and Russia defaulted on their bonds. Lenders wouldn't take worthless pesos or rubles in payment for bonds in denominations in U.S. dollars or Deutschmark.

Basically, the lender—bank, corporation, or individual—will wait for repayment as long as he is sure the borrower is good for the money. Lenders as a rule prefer to let the loan or bond rollover. To repeat, in virtually all cases, lenders would like to feel confident that the capital he lent out is held by responsible parties.

In the past, all eurozone countries went on an unchecked, bond-selling spree, redeemable in some distant future. Governments, in order to stay in power, promised and delivered to their citizens many goodies, for example, early

retirement at near-full pay, periodic raises for civil servants, new bridges, and so on, all paid for by issuing bonds—bonds that commanded low-interest rates, since sovereign debt was supposedly a secure investment.

When Greece's bonds came due, its lenders simply said, “We want the money.” Some of them could be persuaded to let the bonds rollover for another five years, but at double-digit interest rates, which Greece could not afford. The chickens came home to roost.

From the start, eurozone-member countries agreed to limit their debt ratio to GDP at no more than 3 percent. But as it was soon discovered, Greece, even before the 2004 Summer Olympics, had yearly overdrafts of 4 to 6 percent to the point that their current deficit is approximately 13 percent—a burgeoning crisis.

The European Central Bank (ECB) in Frankfurt was mandated to hold inflation to under 2 percent across the eurozone. It certainly wouldn't engage in printing new money. But, as it turned out,



EURO CRISIS: This photo shows 100 euro and 100 U.S. dollar bills. The euro has fallen over the last three months versus the dollar due to Europe's ongoing sovereign debt crisis. THOMAS COEX/JAP/GETTY IMAGES

in addition to Greece, Spain, and Portugal had overspent as well.

After a lot of posturing, hand wringing, boasting in the defence of the euro at any cost, the ECB will now buy some of Greece's bonds, hence print more money. As the story gets out, all investors want to sell their euros and buy dollars, yen, gold, or whatever, just to get out of the euro.

Normally, one would expect that inflation would rise, something the ECB was dead set against. However, no such thing is happening. The euro has lost approximately 20 percent of its value since that manoeuvre. But it has now stabilized at 1 euro to approximately US\$1.23 (C\$1.28). By the way, this is not a bad deal as far as European exporters are

concerned, but bad for American exporters to the EU.

We are facing a most anomalous situation: the U.S. Treasury has printed some trillions of unfunded dollars (since the Iraq War), enough to bail out 50 Greeces. Still, the U.S. dollar is the world's reserve currency, followed by the euro, and further down the line is the yen then the

British pound. It's a poker game with chips in denominations in a variety of reserve currencies. The stakes are high, but not in crisis stage, where one of the players would drop out.

Manny Drukier is a columnist for The Epoch Times. His column, “The Practical Entrepreneur,” appears in the Business section.

A primer on value investing

U.S. stocks turn lower on treasury debt worries

By GABRIELE GREGO

It is a known fact that the majority of people investing in the stock market end up losing money. This reality has been shown to be painfully true during the latest financial meltdown, when most market players lost a significant part of their holdings.

There are a number of reasons why this is so, but, in general, the problem is that most people keep relating to the stock market as if they were in a casino: buying as they get excited about the latest tip, and selling in panic as soon as the general mood changes. So the solution should probably be to get out of the market altogether and

seek safer and more rewarding forms of investments, right?

Wrong. While thousands of both amateur and professional traders were losing fortunes, one investor has been steadily amassing his: Warren Buffett. Starting from practically nothing, Buffett managed to top the world's wealthiest individuals list in 2008 with a net worth of approximately US\$62 billion, all achieved simply through skillful investing in the stock market.

Notwithstanding his remarkable intelligence and analytical skills, Buffett's success in an activity in which most people fail is due to his own brilliant as well

as neglected investment style—value investing.

Value investing was pioneered by Ben Graham and David Dodd in the 1920s at Columbia University and subsequently refined and expanded by Warren Buffett (one of Graham's students and later, business partner) and others.

Value investors basically treat stocks for what they are in essence—not some volatile casino chips, but fractional ownership rights of actual companies. It follows that successful investing depends simply on identifying businesses whose share price has dropped well below their intrinsic value.

Of course this strategy depends on a number of fundamental assumptions whose validity is self-evident:

1. The stock market can price shares inefficiently (i.e. well above or below their intrinsic

value).

2. A skilled investor can calculate a share's intrinsic value with a reasonable degree of confidence within his circle of competence.

3. In the long run, the price of a share tends to revert back to its intrinsic value. (In the short run, people's emotions and expectations tend to dominate.)

The evidence in favour of value investing effectiveness is overwhelming. To give but one example, the yearly average

Human beings are victims to a number of cognitive biases when investing in the stock market.

performance of Berkshire Hathaway (Warren Buffett's investment holdings company) during the last 44 years has been 20.3

percent, versus 9.3 percent of the S&P 500 index. Also, such simple value investing strategies as purchasing stocks with a low ratio between share price and profits (P/E ratio) tend to outperform the overall market by 3 to 4 percent.

But why does it work? It turns out that human beings are victims to a number of cognitive biases when investing in the stock market.

These biases cause players to eventually get burned as well as create valuable opportunities for value investors who exploit them. Out of all these biases, the most important one is “herding.” Just like sheep, human beings have a tendency to follow each other's behaviour, and the market is no exception.

When a stock is trumpeted by the media as “hot” and everybody is talking about it and buying it, many people feel a strong impulse to acquire it. On the other hand, people tend to overreact and over-sell a stock when “it goes out of fashion.” Clearly, these two extremes tend to

produce inefficient share prices—too high in case of the former, and too low in case of the latter.

A value investor, armed with a good valuation system, can tell whether this is happening, buying at a low price and selling high.

How is it done? In theory the steps are simple. Look for undervalued shares (frequently in obscure, forgotten, and unattractive industries), perform a due diligence check, value the business, and decide on an adequate entry point.

In practice, value investing requires a profound knowledge of business, finance, accounting, and strategy. Most importantly, it requires a distinctive personality—self-confidence and courage to get in the market when everybody else is running for cover, and the self-discipline to exit at the peak of market's euphoria.

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