



These 5 Underdogs Are No Dogs

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Short-sellers and hedge funds may be shadowy, but sometimes they are the smartest guys in the room. They've done their homework, and they're willing to bet their capital against the crowd -- an investing strategy that can be as lucrative as it is contrarian.

On [Motley Fool CAPS](#), we've also got leading analysts who find the chinks in a company's armor and correctly call its fall. Our "Underdogs" have earned 100 or more CAPS points by correctly predicting that one or more stocks would underperform the market.

Let's look at some of the recent calls these All-Star investors have made. Instead of studying more of their pessimistic picks, we'll focus on the stocks these top members expect will *outperform* the market. If these CAPS investors have scored big by correctly predicting which stocks will fail, it may be worth our while to see which others they think will succeed.

Underdog	Member Rating	Company	CAPS Rating (out of 5)
AirForceFool	99.94	Ebix (Nasdaq: EBIX)	****
eskatonic	99.46	Baytex Energy (NYSE: BTE)	*****
dbajack	96.29	Direxion Daily Financial Bear 3X Shares (NYSE: FAZ)	*
ilovestocks	96.12	Procter & Gamble (NYSE: PG)	*****
tjnarumo	94.93	China Natural Gas (Nasdaq: CHNG)	*****

Not every short sale goes as planned, making shorting a risky proposition. [Stock prices can be irrational longer](#) than you have money to stay in the game. So don't use this as a list of stocks to sell or buy -- just the launching pad for further research.

Underdogs still wag their tails

There are signs on the horizon that another market crash might be coming. The surge we're seeing in company valuations, in home buying, and in the markets themselves is all driven by [massive amounts of money being poured into the system](#) by the government. The Fed has a near-zero interest rate policy at a time when the government is spending \$3.5 trillion for fiscal 2009. The \$12 trillion deficit we've racked up is mind-boggling (that's almost \$39,000 for every person in the country, including kids), and soon it could even surpass the country's GDP. This all leads me to believe this [game of financial musical chairs](#) will have to end soon. And when it does, look out below!

It's no wonder some might consider the [Financial Bear 3X ETF](#) an interesting play on our financial house of cards. Banks have been allowed to abandon reason and [mark their assets](#) in ways that could inflate their value. According to Standard & Poor's every single major bank in the U.S., Japan, Germany, Spain, and Italy is undercapitalized, including **Citigroup** (NYSE: [C](#)) and **Bank of America** (NYSE: [BAC](#)), while the International Monetary Fund says banks may have as much as \$1.5 trillion worth of toxic debt still on their books.

These [leveraged ETFs](#) are tricky plays to make, but CAPS member [hun76](#) thinks conditions are ripe for an opportunity to [cash in](#).

While I don't expect anything remotely close to the run-up we witnessed in the global meltdown of

the financial markets I do think a 50% plus return is not out of the question.

We might not know when a crash will revisit us, but the [financial underpinnings](#) of our economy are so shaky that it seems inevitable it will happen.

Yet I wouldn't recommend using an ETF like the Financial Bear 3X to cast my vote on the economy, preferring instead to [move to gold](#), silver, or some other precious metal (they should hold value if a currency collapse follows). However, why not head over to the [Financial Bear 3X CAPS page](#) and let us know whether this is just so much fear-mongering, or if we rightly should be afraid of what's to come.

There's no need to fear ...

Underdogs often shine brightest with their backs against the wall. Still, it takes more than a few All-Star picks and a quick paragraph to make buy or sell decisions. Start your own research on these stocks on [Motley Fool CAPS](#) where your opinion can still save the day. While there, you can read a company's financial reports, scrutinize key data and charts, and examine the comments your fellow investors have made, all from a stock's CAPS page.

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