THE LAST FIVE STANDING:

Five “Corporate El Dorado’s” that Will Dominate the New Economic Order
How to Profit During a Depression

If you invested in the Dow in 1929, you would have netted a zero return over the next 24 years. Everything from retailers to automakers and chemical companies to banks went nowhere. Instead, buying in late 1932, after the great crash, would have been very profitable.

But not all was doom and gloom. In fact, the Great Depression was a time when those who knew what they were doing made enormous financial gains… and the very nature of the depression worked in their favor.

While most companies were cutting back on everything from staff to marketing, a few companies ramped up advertising budgets and production and leapfrogged light-years ahead of their competitors. They watched some of their competitors go bankrupt. They swallowed others up whole.

They became cash-rich dividend kings that instigated aggressive marketing strategies and expansion plans. Such kings included Procter & Gamble, Camel Cigarettes, Borg Warner, Bethlehem Steel and Skelly Oil (now Chevron/Texaco).

Stockholders smart enough to first invest in these companies and then reinvest their dividends, ended up reaping untold rewards. Because even when the price of their stock went down, their dividend enabled them to buy an even greater amount of the company’s shares. This rewarded them with an even bigger dividend, which then allowed them to invest in more shares. And when the market finally turned up again, they won… and they won big!

Now, as we move through a second great western depression, there are companies that will again become cash-rich dividend kings…

The 21st Century’s Big Depression Winners

Just like in the 30s, a “survival-of-the-fittest battle” is coming that will determine the market’s new leaders for decades. It won’t be enough anymore for companies just to come up with a revolutionary new technology or product. They will have to know how to market and distribute it. They will have to know how to connect and collaborate with customers and partners. They will have to be quick to take advantage of disruptive new technologies, radical new business models, economical new supply chains, just-in-time fulfillment processes and new, leaner manufacturing methods.

Most American companies will fall by the wayside… left to wring anemic growth out of aging, waning Western economies.

But there are five particular American “El Dorados” — golden companies — we believe will rise to the challenge. They will far outperform anything else because they will have the money, the marketing resources and the distribution channels they need to successfully penetrate the emerging new mega-markets of the East.

This is where the majority of global growth will come from in the decades ahead — emerging markets. And each one of the five corporate El Dorados we’ve identified will dominate the new economic order. Each is already well on its way to achieving deep market penetration in the emerging economies. Each boasts some of the strongest and healthiest corporate balance sheets around.
Thanks to their unmatched know-how, experience and breadth of resources, they have long dominated the emerging mega-markets of the East. But against the vast backdrop of these enormous markets, even our largest big cap companies look small. The revenues and profits that our corporate El Dorados will spin from these Eastern markets in the years and decades to come will make the Western profits of their past look anemic by comparison.

What’s more, each of these companies has long histories of rewarding investors with outstanding returns… outperforming almost every other asset class, season after season…

But before we delve into details and ticker symbols for each of these five companies, let’s briefly explore what’s happening demographically in the East…

**Greatest Money-Making Opportunity of Your Life**

The reality is: The East, with the exception of Japan, has us beaten in the numbers game. It is the most densely populated place on earth (as the dark blue areas show on the map below).

![Map showing the most densely populated areas in the world.](image)

It’s a simple, unquestionable fact. They have more feet on the ground. And now those feet are walking into cities — and into their peak spending stage — while American, European and Japanese baby boomers head into retirement.

Few people realize that countries like Japan, Russia, Germany, Spain, Italy and Greece could lose up to half their populations in the next 50 years. America and Europe will become the world’s new retirement communities. The U.S. Census Bureau has shocking proof: One in eight Americans were elderly in 1994. By 2030 that statistic will be one in five!

450 million baby boomers around the world — 108 million in America alone — are heading into retirement… the time in their lives when they earn less and spend less. After being the economic engine that drove world growth for generations, that growth will become slower.

To fill the gap we leave as we gray, eastern countries and developing nations will rise explosively. Millions of people will migrate into cities. India, Indonesia, Malaysia, Vietnam and Thailand are places you’ll find big opportunities and bigger profits in the coming years.

**Eastern Populations Take the Highway into Town**
The team at Trendwatching.com calls this explosion of people moving out of rural areas and into towns “Citysumers.” And according to various sources, like the United Nations, McKinsey & Company and Foreign Policy, India will have more than 68 cities with more than 590 million Citysumers by 2030.

Also, more people in the west are choosing not to have children because of rising financial costs and greater career ambitions. This means, western numbers won’t come close to the levels you’ll see in the East. Not in our lifetime. Not in our grandchildren’s lifetime.

The result: a slowdown in economic activity in the West. And a rapid increase in economic activity in the East. The charts below, which forecast the spending cycles ahead, illustrate these trends very clearly.

These charts reveal one of our simplest and most powerful forecasting tools: The Spending Wave. To create it, we move the number of people born in a country (adjusted to include any immigrants) forward by 46 to 50 years. That’s when they’ll be at their peak spending age…

And India has a clear advantage in the next two decades because its population is moving into those peak spending years during that time… and they’re moving into the cities where they can spend all they want.

An Important Caveat to Note…
There is no doubt in our minds that the East holds great profit opportunities for savvy investors like you. But first, a storm is due to lash eastern economies.

You see, these emerging-market countries have high exports to the U.S. and Europe and commodity-based economies will initially react to the current Western slowdown and a crash in China. They also have internal issues to overcome. But as their strong demographic trends gather pace, and as they recover from the coming crash, they’ll quickly decouple from the graying old-timers and reach their explosive potential.

We’ll be ready, waiting to grab the profits when the boom happens. So, let’s reveal the five corporate El Dorados that will show us the money… when the time comes...

**Corporate El Dorado #1:**

**What 4.2 Billion People Buy Every Day**

What do Braun, Eukanuba, and Duracell have in common? They are all among the more than 114 products our first corporate El Dorado makes and sells to more than 4.4 billion people around the globe.

Beauty brands like Head & Shoulders, Gillette and Old Spice. Health and wellbeing brands like Pepto Bismal, Oral-B and Vicks. Household care brands like Duracell, Charmin and Bounty.

All the products that people heading into their peak spending years (between the ages of 40 and 50) need and buy. More importantly, they’re all the products newly urbanized people need… and can now afford to buy.

Look at these demand curves…

People spend more on personal-care items… and more on pets… when they can afford them. They can afford them when they’re at their highest earning and spending phase.

In the U.S., at least one quarter of the population is moving down these demand curves in the decade ahead. They’ll spend less on those kinds of items.

But here’s the thing: Populations in the East — Asia in particular — are heading right UP those curves.
And those curves will be steeper because of the sheer numbers of Indian, Malaysian, Thai, Vietnamese (and others) moving into the “industrialized” stage of the demographic wave.

In India, Procter & Gamble (NYSE: PG) is taking advantage of that trend. Its Tide laundry product is washing through the nation.

According to the company:

About 80% of consumers in India — 200 million households — wash their laundry by hand. With their extremely limited laundry detergent budgets, most Indian consumers settle for the lowest priced powders… [So] P&G launched Tide Naturals in India in December 2009… at a price 30% lower than regular Tide. P&G now offers laundry detergent that is affordable for more than 70% of Indian consumers.

And men in India prefer Gillette Guard seven to one to their double-edge razors.

As more and more Indians urbanize, more will have money to buy the cheaper Tide and their preferred razors. And those already using it will upgrade to the more expensive detergents (and razors) that Procter & Gamble, also sells there.

This Consumer Giant is About to Get MUCH Bigger

As the East goes on the world’s grandest shopping spree ever seen — bigger than anything the 108 million American baby boomers accomplished — the doors of this global corporate “hypermarket” will open wide and early. It’s going to capture dollars faster than Macy’s on a Thanksgiving Day Sale. For Procter & Gamble it will be like a multi-decade-long Christmas shopping spree.

The company has 24 brands that each generate more than $1 billion in sales every year.

Already, Procter & Gamble has a market capitalization greater than the Gross Domestic Product (GDP) of many countries. It had net sales of $84.2 billion in 2013. Consumers in developing nations contributed 39% of that turnover.

For the past 17 years, Procter & Gamble has had 132 products on the top 25 New Product Pace-
setters list. That’s more than the company’s six largest competitors combined. And the company continues to take steps to strengthen its portfolio of businesses. It is advancing its over-the-counter focus with the formation of a joint venture with Teva Pharmaceuticals. It closed the Ambi Pur acquisition and completed a successful integration. Through a combination of this acquisition and organic expansions of the Febreze brand, Procter & Gamble has grown its Air Care presence from 17 markets to nearly 90.

Looking forward, the East will rapidly become the major buyer of Procter & Gamble’s products. More than that, they’ll explode the company’s sales.

Today, consumers purchase a Procter & Gamble product about 40 billion times a year. The company intends to increase those purchases to about 60 billion a year in the next three years.

The company invests about $2 billion a year in research and development. That’s 60% more than its closest competitor and more than most of its competitors combined. And this is a strategy that pays off. Procter & Gamble currently has the strongest innovation and global expansion program in its history. It’s aggressively globalizing products such as Gillette Fusion ProGlide, Crest 3D White, Laundry additives and the Pampers thinness and absorbency upgrade.

It’s also expanding successful marketing innovations such as the Shiksha education program in India, in which it contributes one brick to build a school for each pack of product purchased. It also has the Pampers “One Pack = One Vaccine” campaign with its focus on eradicating maternal and neonatal tetanus.

And while that happens, the company will continue to pay its shareholders healthy dividends… without fail. As it is, Procter & Gamble has already paid investors’ dividends for 121 consecutive years. 2013 marked the 57th consecutive year the company increased its dividend payouts.

Over the last 10 years, P&G has paid out $42 billion in dividends, and repurchased $46 billion of stock.

This is a company positioned to survive the shakeout and lead the market during the next season. And it will boost your income stream.

Action to Take: Watch Procter & Gamble (NYSE: PG), but do not buy until we tell you to.

**Corporate El Dorado #2:**

**How to Get Your Share of $41 Trillion**

Around the globe, railroads, highways, airports, seaports, power grids, pipelines, wastewater treatment facilities, oil and gas refineries, alternative energy-production facilities... all need building or mending. Now, with the demographics explosion in the East, and the resultant cash-rich megamarkets on the rise, the need for massive infrastructure creation and improvements has also become critical.

Some estimates say that over the next 25 years it will take a staggering $41 trillion to build and rebuild the world. All of that money will go to giving Citysumers what they need, including:

- Homes to live in
Malls in which to shop
Restaurants to eat in
Roads to drive on
Trains and busses for commuting
Power stations to keep the lights lit
Pipes to keep the water flowing
Factories to produce all the products they’ll eat, drink and use
Sanitary systems to keep disease at bay
Hospitals to stay healthy and alive
Movie houses and theatres providing entertainment
Banks to keep their new found cash safe
Ports to keep goods flowing into and out of the country
Precious metals for jewelry and industry

This will result in a boom in infrastructure stocks, the likes of which the markets have never before seen and investment gains most investors can only dream about.

And Caterpillar (NYSE: CAT) has it all covered.

As a maker and seller of construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives, Caterpillar is one of the world’s largest, most respected brands of earth-moving machinery.

Caterpillar Powers World Progress

The company operates in 180 countries with its equipment at work on highways and rail lines, at sea, in rivers and forests, quarries and oil fields.

More than 60% of the company’s sales are outside the U.S., in industries like demolition and scrap, construction, government projects, landscaping, paving, pipelines, power generation, road construction, underground utilities and water services. This is where its growth potential lies.

In India, Mr. Kohli (who was involved with the India Infrastructure Finance Company) revealed that there are 19 “green field” airport locations under consideration… the country has the second longest road network in the world at over two million miles… it has one of the largest rail-road networks with 39,000 miles of track…

And that’s just in India.

Thailand faces increasingly chronic shortages in power supply. So, the Thai Electricity Generating Public Company (EGCO) has committed $1 billion to increasing power generation through 2014.

Of course, we’re just highlighting a few projects that will boost Caterpillar’s turnover. The number of projects that Caterpillar is already involved in is breathtaking. The projects it will be involved in — projects driven by the demographic wave sweeping across the East — are practically endless.

With the acquisitions of Bucyrus and MWM in 2011, thereby expanding its mining and power systems portfolios, there was a sales increase of $1.7 billion in the quarter that ended in June 2012. It also introduced over 50 new Tier 4 products that meet emissions requirements and deliver added value, in terms of
power, efficiency and safety. These new products run with the cleanest diesel engines ever made.

And Cat built new factories around the world, while significantly expanding capacity in existing facilities. In Brazil, it introduced a new rail-locomotive manufacturing facility, a new small wheel and backhoe-loader factory and it expanded its core product capacity. In Dubai, it added a new parts-distribution center. In India, it expanded its mining truck capacity, added a new remanufacturing facility and introduced a new engine facility. In Thailand, it expanded its underground mining-product manufacturing and introduced a new medium track-type tractor facility.

**Action to Take:** Watch Caterpillar (NYSE: CAT), but do not buy until we indicate the time is right.

While Caterpillar rides the demographic boom in the East by addressing the Citysumer’s needs, our next corporate El Dorado is satisfying their desires…

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**Corporate El Dorado #3: Grab a Quarter-of-a-Billion-Dollar Ride**

**Philip Morris** (NYSE: PM) has certainly earned the title of corporate “El Dorado.” If you had invested $1,000 in the company back in 1925, and reinvested all the company’s dividend payments, in 2003 you’d have had over a quarter of a billion dollars!

Today, it has even more potential to hand you big gains.

Philip Morris opened its doors in the U.S. in 1847. Today, it’s a leading international tobacco company that sells its cigarettes in 160 countries. In fact, it sells over one trillion cigarettes a year. Of that trillion, Asian countries like India, Vietnam, Thailand and Malaysia consume 226 billion cigarettes.

**The 15 Philip Morris Cigarette Brands Are:**

- Marlboro
- Alpine
- Benson & Hedges
- Bristol
- Cambridge
- Chesterfield
- Commander
- Dave’s English Ovals
- L&M
- Lark
- Merit
- Parliament
- Players
- Saratoga
- Virginia Slims

And those countries are about to increase their demand for tobacco products. Look how cigarette demand peaks for people in their 40s and 50s (their peak spending years).

**As People Age… They Smoke More**
And the booming Asian populations are right at the beginning of that trend. That’s why Philip Morris has only bigger sales to look forward to in its Asian division.

Philip Morris’s strong foothold in the East is reason enough to invest in this company. On that front alone, you could make triple-digit gains. But there’s a kicker…

“Good Food, Good Sex, Good Digestion, Good Sleep: To These Basic Animal Pleasures, Man Has Added Nothing But the Good Cigarette.”

—Mignon McLaughlin

Set aside, for a moment, the profit opportunities the East holds for Philip Morris and you as an investor. Let’s re-examine the West…

While no one likes to admit it, we all have vices. And we know that during times of stress, we turn to those vices for comfort. Quit-smoking coach, Mindi Plank, says: “Stress is probably the most common thing that comes up as the reason why people start [smoking] again.”

Our daily experience corroborates this, whether we’re smokers ourselves or have friends or family who smoke. We know stress increases our need for comfort.

And in a deflationary environment, Americans’ stress levels will rise to an all-time high. In response, the number of cigarettes that Philip Morris could sell will spike as well. And investing in this company now puts you in line to profit from this trend.

Action to Take: Watch Philip Morris (NYSE: PM), but do not buy until we tell you the time is right.

Corporate El Dorado #4:
Fizzing Wildly Off the Charts in 200 Countries

Every day, people across the globe enjoy 1.6 billion servings of Coca-Cola-produced soft drinks. In fact, “Coca-Cola” is practically now synonymous with “water” in our world.

Coca-Cola listed on the New York Stock Exchange on September 5, 1919. It cost investors $40 per share. At its peak in January 1998, investors paid as much as $77.40 per share.
This all begs the question: “If Coca-Cola has traded on the stock exchange for 98 years, has it not run out of steam by now? How much more can this company achieve?”

We’ll grant you, in America, this company has saturated the market. Sales and profits are flat here…

But here’s the thing: They’re fizzing wildly off the charts in more than 200 other countries abroad. Countries like India, Malaysia, Thailand and Vietnam… where millions of people are aging into the middle of their peak-spending years.

In India, for example, at least 249 million more people — nearing the crest of their spending wave — will flood cities over the next decade. Thailand’s urban landscape will swell by 11 million people… all with more money to spend.

Even if Coca-Cola’s infiltration in those markets remains the same as it is today, the sheer volume of people that will be drinking its products will push the cash flows, profits and stock price of this company up… and up… and up.

**Action to Take:** Watch Coca-Cola (NYSE: KO), but do not buy until we tell you the time is right.

And finally…

**Corporate El Dorado #5: Reaching Out to Millions in Emerging Markets**

Just like all the other members of this “Shakeout Winners” club, Johnson & Johnson is a name you grew up with. And just like its El-Dorado peers, it has raised its dividends for the last 48 years. During boom times and bust times, Johnson & Johnson has paid investors handsomely for their support.

Here’s just one story of why Johnson & Johnson will make you money during the years ahead:

Lilia Dado is a 50-year-old midwife working in the Philippines. During the past 14 years, she’s helped deliver more than 900 babies, given prenatal care to hundreds of young mothers, counseled countless teens about reproductive health, and organized dozens of programs to teach her community about immunizations and disease prevention… She is also a graduate of the Midwives Leadership Development Program, which is a training program that the Integrated Midwives Association of the Philippines and Johnson & Johnson created in 2004.

The more people that Lilia reaches through her work, the more people will become familiar with Johnson & Johnson and use its products. More people using its products mean more money on the bottom line. That, in turn, means more money for investors — through dividend payouts and stock price increases.

The same rolling-stone effect applies when Johnson & Johnson gets involved with more community programs in more countries. This is something it certainly is focusing on. In one year, it supported 650 programs in 50 countries…

- Teaming up to deliver relief disaster in Asia-Pacific
- Preventing teen pregnancies in Brazil
• Helping Argentinian children cope with cancer
• Employing Hungarians with mental illness
• Treating oral thrush in Kenya

If you can imagine it, chances are, Johnson & Johnson has something to do with it. Ultimately, Johnson & Johnson has front row seats for the pending boom in the East.

After all, there is only one thing we need more than food and water… and that’s medical care. That could be as simple as taking a pill to feel better or rubbing an ointment on a burn to ease the pain, to something as complex as an emergency medical scan that could save your life.

This Reality Gives the Company Double Opportunity

You see, over the next 14 years baby boomers will stop working. They’ll start enjoying retirement. They’ll become frailer. They’ll need more medical attention and medicines as the demand curve below shows.

Even though the West is heading into a second Great Depression… even though deflation will alter our economic landscape… the baby boomers will still need and use medicine and health services. As one of the biggest health companies around, Johnson & Johnson — and its shareholders — will profit from this unalterable fact.

Then there’s the other side of the coin…

As the populations in the East reach their peak spending stage, they’ll buy more medicines and they’ll be in urban areas where they can more easily access physicians, specialists and hospitals. Look…
Again, Johnson & Johnson has the experience and global coverage to profit from this trend. It also has the top line growth.

Sales have increased steadily, rising from $65.0 billion in 2011 to $67.2 billion in 2012 to $71.3 billion in 2013. The products and services that got it there include:

- Baby products like Johnson & Johnson baby oil or shampoo
- Skin and hair care items such as Neutrogena and RoC
- Prescription drugs like Intelence and Pancreaze
- Medical devices and diagnostic products like the Cellsearch Circulating Tumor Cell Test and the Realize Adjustable Gastric Band-C
- Wound care stuff like Band-Aid and Neosporin
- Oral health care goodies like Listerine
- Vision care products like Acuvue
- Over-the-counter pills like Tylenol and Imodium
- Nutritional items like Splenda

Seventy percent of the company’s 2013 sales were from products that hold first and second global market share positions. And the company continues to increase spending on research and development, raising it from $7.7 billion in 2012 to $8.2 billion in 2013. This will boost its growth even faster in the coming years.

Solid and consistent shareholder returns continue to be one of the company’s hallmarks.

Bottom line: Johnson & Johnson covers the entire spectrum of health and wellbeing. In the West and in the East, this company is on a non-stop, high-speed track to doubling investors’ money.

**Action to Take: Watch Johnson & Johnson (NYSE: JNJ), but do not buy until we tell you the time is right.**

It is important to note that if you allocate a portion of your portfolio to dividend-paying stocks, then these are great companies to consider. However, we recommend only entering them after the next great crash, which we see unfolding around 2016 or 2017. If anything changes that prompts us to recommend buying these companies earlier, we will alert you in your monthly *Boom & Bust* or your weekly *5 Day Forecast*.

Note: The recommendations in this report do not form part of the official *Boom & Bust* portfolios. We do not track these plays. We will alert you when the time is right to make these plays.
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