Sun CITY

THE STOCK EXCHANGE REOPENS ON MONDAY

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by STEVE HAWKES, BUSINESS EDITOR

THE PAGE YOU CAN TRUST

PUT YOUR MONEY ON TES-GROW

Our 6 shares to back this year

HAPPY New Year! It's that time again when Sun City sticks its neck out and selects "Super Six" stocks to back over the coming year.

We may not be as clever as **TESCO** boss Sir Terry Leahy – but the supermarket giant is one of the firms we reckon are well worth backing in what could be a very tough 2010.

Experts believe the stock market may **FALL** after a bumper 2009 as companies struggle to deliver the profits to justify the huge share price gains of the past 12 months.

Much of any growth is likely to come from more "defensive" sectors such as retail and oil – and those firms that have businesses in new powerhouse economies such as China. We're backing our usual mix of big names, medium-sized firms and riskier bets to beat the field. But remember, if you are unsure about investing in any of our picks you should consult an adviser.

Here is Sun City's lowdown on our six choices for the year – **TESCO, VODAFONE, PENNON, HUNTING, GOODWIN** and **MAX PETROLEUM** – along with their current share prices . . .

TESCO — 428p

SUPERMARKETS have defied the recession and 2010 is the year to put money into the world's second biggest retailer — TESCO.

Not only will it continue its expansion in fast-growing overseas markets such as China, but an eagerly-awaited push into mainstream banking is also likely to begin. This carries far higher profit margins than selling bread and beans.

Despite its vast size, scale and huge potential, Tesco's shares are still ranked on a similar multiple to its UK rivals. Yet each of them would willingly swap places with the clear market leader.

MAX PETROLEUM 17p

EVERY year throws up a tiddler that turns the market on its head and 2010 is MAX PETROLEUM's chance to grab the headlines.

The oil explorer has TWELVE low-risk prospects in the prolific Caspian basin of western Kazakhstan that could hold 250million barrels of black gold.

But the best opportunities are a dozen potential wells in "pre-salt" fields that could contain more than a billion barrels. Max wants to sell a stake in these prospects to bigger and better financed partners to help with the drilling.

Look for a deal as early as March.

PENNON 537.5p

WITH huge uncertainty over 2010, a utility is one of the safest bets in the City and PENNON is the pick of the bunch.

The company owns SOUTH WEST WATER, which has been given the green light by regulators to raise bills by 29 per cent between now and 2015.

Pennon also has an ace up its sleeve in its VIRIDOR waste management business. The waste and recycling sector is booming, Viridor has been making acquisitions and it generates highly-prized renewable energy at landfill sites across the UK.

VODAFONE — 143.7p

AT a time when the stock market may fall, VODAFONE is always attractive because of its bumper dividends. But this year could see a big jump in the share price.

Analysts believe 2010 may see Vodafone trim its £40billion stake in US mobile giant VERIZON, which could free up cash and boost investor returns.

The company is also signing up two million customers a MONTH in India and is committed to fixing problems in mature markets such as the UK where big things are expected of new country chief Guy Laurence.

GOODWIN 1070p

WE'RE not asking punters to back Fred the Shred — but a good old-fashioned manufacturer that's finding success in export markets.

Stoke-based GOODWIN dates back to 1883 and it now supplies everything from valves, pumps and steel castings to 72 countries.

A pre-Christmas trading statement showed orders on the up — helped by the low Pound — with new deals in Norway and China. The group is also hoping to cash in on the huge amount of work needed to build Britain's new nuclear power stations.

HUNTING 582.5p

THE blistering rise of oil services giant PETROFAC has thrown more focus on the sector and HUNTING stands to benefit.

The group — originally founded as a shipping business — supplies the oil and gas industry with vital drilling equipment, accessories and oil platform kit.

The high oil price is set to fuel a six per cent increase in exploration around the world this year.

Hunting recently upped estimates for its 2009 results and is on course for a far stronger 2010.

IT'LL BE TOUGH BUT BETTER

myView

By Dr GERARD LYONS
Chief Economist
Standard Chartered

IT is clear that 2010 will be another tough year for the economy – but it will be much better than 2009.

The best way to think of this year is to see it as the economy getting back into shape after the recession.

We had a boom, then we had a bust. What we need now is a recovery that is sustainable. That points to Britain having to spend less, save more and repay its debts.

In 2010 there are three key economic issues to focus on . . .

GROWTH AND JOBS: Usually when an economy emerges from recession it grows strongly. But not this time. Recovery is likely to be gradual as wage growth will be sluggish. Unemployment will still be rising in the next few months and many people have debts to pay off.

Picture any room. Two years ago, the economy was on the ceiling, in autumn 2009 it was on the floor, by this summer it will be at the level of a table. We will be off the lows but still well below the previous peak.

INTEREST RATES: The big challenge this year is the "exit strategy". The Bank of England wants to raise rates back to normal. The Government needs to reduce its debt. They can't both do this at the same time. If they do, the exit strategy will fail and the country slips back into recession.

In my view, the priority is for the Government to reduce its debt and the Bank of England needs to keep rates low while they do so.

Even though many in the City argue for higher interest rates, I think the Bank of England needs to keep them close to 0.5 per cent throughout 2010.

GOVERNMENT DEBT: The country is not going to go bust. But we do need to bring Government borrowing under control. I call this the good, the bad and the ugly. The good is the Prime Minister pulled the country from the brink by spending. The bad is that he did not do this from a position of strength. We should have run a budget surplus during the boom but did not because of frivolous Government spending. The ugly is the consequence. In 2010 this will be seen in terms of higher taxes and massive cuts in public spending.

I am optimistic about Britain's longer-term prospects. But we need to get used to saving more during the good times and as a country we need to think global.

We can't compete with China and India on cost, but we can compete on quality.

This is the year the UK can start to bounce back – slowly.