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9 Stocks That Smart Managers Like Now

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FROM KIPLINGER'S PERSONAL FINANCE

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Benjamin Graham, author of *The Intelligent Investor*, the value-investing bible, likened the stock market to a man with wild mood swings. One day Mr. Market would offer to sell you his business at a ridiculously high price; the next day he'd offer it at a crazy discount.

During market declines, mutual fund managers are paid to look out for fire-sale stocks. Many used the downturn that began last September to snap up new holdings or add to positions they already owned.

We asked a few smart bargain hunters to share where they're finding good values now.

Citigroup

MANAGER: Bill Nygren
FUND: Oakmark Fund (OAKMX)

One of the unusual things about the market in recent months is how disconnected stock prices became from business results, says Nygren. "A lot of companies with fundamental business models that are not broken are selling for very low price-earnings ratios," he says.

Nygren still likes Citigroup (C, $56.69), one of his top holdings, which currently trades at eight times analysts' estimates of 2019 earnings. "Citi is uniquely positioned to be a global bank. It doesn't seem as if a lot has to go right for the stock to do well," he says. In the meantime, Citi sports a hefty dividend yield of 3.2%.

The company also has an ongoing share-buyback program, which should give remaining shareholders a bigger slice of the earnings pie.

American Airlines

MANAGER: Bill Nygren
FUND: Oakmark Fund (OAKMX)

Another of Nygren's bargains is American Airlines (AAL, $31.80), selling at six times estimated 2019 earnings.

The U.S. airline industry is essentially an oligopoly now, with American Airlines weighing in at No. 4 by current market value.

Since this past summer, airlines have been pricing tickets assuming that oil would be selling at $70 a barrel, says Nygren. "People don't get refunds because oil has since fallen to $50," he says. Furthermore, as businesses become more global, travel should keep growing, he adds. American is using most of its excess capital to repurchase shares, with enough in its buyback plan to soak up 11.2% of outstanding shares.