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You want to fundamentally invest in steel or metals or sugar or textile stocks?

Wait for worst earning performance to buy and then sit with patience.

Soon the economy will falter, and the earnings of the cyclical will decline at breathtaking speed. As more investors head for the exits, the stock price will plummet. Buying a cyclical after several years of record earnings and when the p/e ratio has hit a low point is a proven method for losing half your money in a short period of time.

Conversely, a high p/e ratio, which with most stocks its regarded as a bad thing, may be good news for a cyclical. Often, it means that a company is passing through the worst of the doldrums, and soon its business will improve, the earnings will exceed the analysts' expectations, and fund managers will start buying the stock in earnest. Thus, the stock price will go up.

And when is the best time to sell?

When earnings improve and PE ratio goes to single digit.

Case in point: SAIL and Tata Steel with PE of 2 and 3 respectively

With most stocks, a low price/earnings ratio is regarded as a good thing, but not with the cyclicals. When the p/e ratios of cyclical companies are very low, it's usually a sign that they are at the end of a prosperous interlude. Unwary investors are holding on to their cyclicals because business is still good and the companies continue to show high earnings, but this will soon change. Smart investors are already selling their shares to avoid the rush.

When a large crowd begins to sell a stock, the price can only go in one direction. When the price drops, the p/e ratio also drops, which to the uninitiated makes a