

Dow 10,000 by Year's End? Some Pros Think It's Possible

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After months of being fed doomsday scenarios, investors are now starting to take a look at stock market utopia.

In this land, bad news, like **Wednesday's dismal GDP numbers**, don't matter.

Here, housing prices stabilize, banks are resuscitated, corporations offer positive earnings guidance, and economic data points start showing signs that things are actually improving and aren't just less horrible than before.

A total fantasy land? Maybe not, say some experts who believe the market's best-case scenario isn't too shabby.



"I'm very impressed at how strong the market has been in the past several days. We've had every opportunity to sell off," says David Twibell, president of wealth management for Colorado Capital Bank in Denver. "Objectively, you've got to be somewhat surprised by that and certainly impressed.

"Are we really seeing a bottom in the market or a substantial bear market rally?" he adds. "This looks more and more like there are some real legs to this thing."

'Green Shoots' or Just Weeds?

In the case that the so-called "green shoots" of the economy—as delineated by Fed Chairman Ben Bernanke—are real, then so are the realities that accompany the mild improvements in some areas.

One of the starkest is that anyone who thinks this market will see its historic highs from October 2007 anytime soon is dreaming.

"Are we going to get back to 14,000 on the Dow this year? That is highly, highly, highly unlikely," says John Buckingham, chief investment officer at value-based Al Frank Asset Management in Laguna Beach, Calif. "But you have to be realistic. If stocks doubled in the next five years, that's a phenomenal return from here."

Most experts interviewed by CNBC.com indicated that the Dow's best hope would be about 10,000 by year's end. Goldman Sachs, meanwhile, is among those that have set a 1,000 target for the broader Standard & Poor's 500 index.

Even then, such a move higher would reflect a 30 percent growth and come only under the most ideal conditions: Unemployment turning around, housing finally finding a bottom, a more positive earnings climate beyond the better-than-Armageddon results from the first quarter, and general signs of positivity from the economy in terms of production, inventory reduction and other key metrics.

Still, with the market in an historically volatile environment, don't bet against it.

"The best you might hope is to see some stability in the banking system, a re-emergence of risk-taking, in such a scenario," Buckingham says. "I've been through more than a few downturns and subsequent recoveries. What I've been surprised is by the magnitude of moves in both directions."

Too Much, Too Soon?

Indeed, the market has been rocked numerous times over the past 18 months by massive swings in both directions.

Some market pros are losing sleep over the notion that the optimism sweeping the market now could be setting Wall Street up for a fall.

"My underlying concern is I believe the market is going to rise ahead of the fundamentals. Anytime it does that the fundamentals have to catch up," says Michael Kresh, president of M.D. Kresh Financial Services in Islandia, N.Y. "I really don't want it to get too far ahead of where it is, because the snapback could change the public sentiment."

The prevailing hope, then, is that the market moves higher but in a controlled and sustainable fashion.

The baseline notions for the best-case scenarios remain the ideal. But a market that remains controlled by emotions is susceptible to sharp pullbacks.

Yet market-watchers have been encouraged by the drop in the Chicago Board Options Exchange's **Volatility Index**, which has fallen by more than half from its historic high.

"I would rather we kind of grind along here and make a couple-percent move week after week as opposed to what we saw last October, with a 10 percent up-day followed by a bunch of 3 or 4 percent down days," Buckingham says. "You want this to be a wave that's building as opposed to a giant tsunami."

At the end of the day, those looking for that gradual build may get what they want, while those hoping for a Wall Street Garden of Eden will have to wait until 2010 or beyond.

After all, unemployment is forecast to hit 10 percent or more, housing may not reach a true bottom for another six months, and earnings guidance from this quarter offered only scant opportunities for hopes of the best-case scenario materializing.

"My guess would be we're halfway to that point at this stage, maybe even less than halfway," says Richard Sparks, senior analyst at Schaeffer's Investment Research in Cincinnati. "You could argue the market's shaking off what should be bad news, but there's no clear evidence the economy is back on track."