

Missed Stock Rally? Pullback May Provide Second Chance

By: Jeff Cox
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Investors who missed the March rally could get a break if the April pullback in stocks continues.

A retreat in the market, expected after a violent upsurge of at least 21 percent across the indexes, would provide a chance to put at least some sideline money to work for leery investors who stayed away the past four weeks. Markets fell more than 2 percent Tuesday after a small loss Monday.



"There's certainly some pressure on managers to put some money to work. I would expect that we would see a pullback as an opportunity for people to deploy more capital," says David Twibell, president of wealth management for Denver-based Colorado Capital Bank. **"We're planning to put money to work if we do get a pullback. Not a tremendous amount—we're certainly not going to get extremely aggressive."**

Basic materials and retail will be good places for investors to take a little risk, Twibell says, reasoning that a rebound from consumers and a buildout in infrastructure should reflect well on those sectors.

In fact, consumer-related moves are getting more traction with portfolio managers who believe that as economic signs turn, consumer spending will generate a recovery.

"A lot of the sectors that we're finding most undervalued are service sectors, sectors that are kind of the second derivative of growth for the economy," says Chris Armbruster, senior research analyst at value-based Al Frank Asset Management in Laguna Beach, Calif. "Businesses that are dependent on consumer spending, not necessarily tied to business activity...will benefit as the consumer starts to rebound.

That group includes **Starwood Hotels and Resorts** pharmacy retailer **CVS**, **Supervalu** and online retailer **eBay**.

Value plays aren't limited to consumer stocks, Armbruster says.

As energy companies restart exploration operations, he says companies including **Diamond Offshore Drilling** and **Halliburton** will benefit. Manufacturing is another area he's targeting, a sector featuring **Trinity Industries** and Eaton.

And he likes tech as well, including some of the big names including **Microsoft** and **Accenture** as well as the smaller, underpriced **United Online**.

One thing all of his recommendations have in common is they focus on companies that are priced below their market value and look promising in a three- to five-year time frame, not merely until the next bear market rally.

"The timing for us is always secondary to valuation. A lot of these names and these industries are trading at value prices," Armbruster says. "We don't know if the market is going to have enough

confidence to adjust those numbers higher in the next three months or three years. We know if we're patient the value in the shares of these prices will be realized."

The desire to make a quick buck seems to be fading a bit from the market environment, with portfolio managers trying to find safety and using lulls as an opportunity to meet that goal.

Gold prices have tumbled off their highs set in the stock selloff this year, but some advisers see the metal continuing to be a safe place to keep money amid the market turmoil.

"It's an insurance policy against more economic chaos," says Peter Miralles, president of Atlanta Wealth Consultants.

But Miralles isn't buying spot gold--instead he's using the **SPDR Gold Shares** exchange-traded fund.

Other investors are moving more toward diversification as the market goes through its gyrations and amid hopes that a constructive bottom is being formed.

The **SPDR S&P Dividend** holds a swath of the S&P High Yield Dividend Aristocrats index that gives investors a taste of the broader market but limited to those stocks that pay dividends over a 25-year period.

That's the kind of investing that Bradford Pine, an adviser with Cantella & Co., recommends for those with low risk tolerance who nevertheless want some stock exposure. In fact, Pine counsels even those clients looking to buy individual stocks to stick to dividend-payers in the current high-risk environment.

"It's more about the long-term outlook," he says. "Rolling the dice to find that \$4 stock that's going to double is not the prudent investment unless you have that risk capital."

But the March rally could see some investors getting a bit cocky about stocks, putting too much into equities and not enough into savings.

"It's a false sense of security," says Julie Murphy Casserly, president of JMC Wealth Management in Chicago and author of "The Emotions Behind Money." "It tells me we are not done with this rollercoaster ride because people have not learned enough lessons yet."

In fact, Casserly advises against aggressive rebalancing of portfolios and is telling clients to "expect turbulence for at least another six months," during which they should keep adequate amounts of cash on hand.

To be sure, even as the market may have put in a lasting bottom, that doesn't mean it won't retest those lows and cause more pain for investors who think the worst has passed.

Mohamed el-Erian, co-CEO of the Pimco bond fund, addressed the issue Tuesday when asked on CNBC whether the market could revisit the lows previous to the rally.

"The intellectually honest answer is we don't know," he said. "I have a fear right now that people are sucked into the equities market. ... Go in as long as you can afford to lose that money."