

# YEAR-END STOCKS REPORT

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## What lies ahead?



The surprisingly strong 2009 rebound will continue early in 2010, but then predictions get a little fuzzy.

BY JEFF HARRINGTON | Times Staff Writer

The great stock rebound of 2009 has legs for a few more months of growth as we enter a new decade, according to a majority of local money managers interviewed by the *St. Petersburg Times*.

Even Harry S. Dent Jr., author of *The Great Depression Ahead*, predicts the markets will continue their climb in the short term, perhaps lasting until the summer.

After that, all bets are off. Dent forecasts a downturn in stocks as bad or worse than the '08 meltdown, with the Dow Jones Industrial Average plummeting as low as 3,000.

On the flip side, both Tim McIntosh, chief investment officer with SIPCO in Tampa, and Ray Ferrara, CEO of ProVise Management Group in Clearwater, say a 10 percent rise in the markets this year is doable.

The latter optimistic view mirrors the broader, national outlook. A recent survey of nearly 200 money managers by Russell Investments found nearly 80 percent were confident markets would end 2010 on the upside. Forty-two percent predicted stocks will rise 10 percent or more.

Forecasting the markets is a tricky and humbling exercise. With presidential election years often solid ones for stocks, few predicted the Dow would fall 34 percent in 2008. Not many envisioned that 2009's bounceback would be so dramatic. The Dow jumped 60 percent from its March low, ending up 20 percent for the year.

The sole certainty among stock pickers is that there is never a true consensus.

Clearwater radio host and author Tom O'Brien, for instance, disagrees with other bay area prognosticators who think the market will keep growing in early 2010.

His reasoning: Retailers are struggling, tech stocks have already enjoyed a huge runup, international markets have peaked, and longer-term interest rates are already rising despite the reluctance of the Federal Reserve to raise short-term rates again.

"I see an immediate selloff come Jan. 4," O'Brien said, drawing parallels to 2000 when the Dow fell 1,000 points in three days early in the year.

"This baby is going to start selling and probably one of the (inflated) tech stocks is going to start it."

» How the markets performed in 2009. Charts and story, back page

## What Tampa Bay stock experts are predicting

### TIM MCINTOSH,

chief investment officer and founder, SIPCO in Tampa



#### Market outlook for 2010:

Single-digit returns; possibly 10 percent. "It's really a digestion year. We digest all the big gains from this prior year." After rising in the first quarter based on strong earnings, the market will run sideways for months, possibly ending on a Santa Claus rally.

#### Where to put your money:

Energy stocks. Select consumer companies and retailers, like Gap Inc. "Health care is a great play for 2010. Pharmaceuticals, medical devices, HMOs — all those industries will do well within the S&P 500."

#### Where to avoid:

Financial stocks, particularly regional banks exposed to commercial real estate losses. Global companies with a heavy exposure to exports. The runup in tech stocks will wane after the first quarter.

### STEVE ATHANASSIE,

president of Trade-mark Capital Group in Dunedin



#### Market outlook:

Markets may initially rise another 15 to 18 percent — with the S&P topping out above 1,300 — before we have a pullback later in the year. Mid-term election years generate political bickering which "tends to put a damper on the economy overall ... 2011 will probably be a better year for the markets."

#### Where to put your money:

Rule 1: Consolidate and reduce your debt. Gold and energy stocks are still viable. Certain foreign currencies, such as the Australian dollar. Utilities invested in natural gas, which will benefit as more coal-burning plants are converted to natural gas. Exchange-traded funds.

#### Where to avoid:

Stocks of companies that peddle luxury, nonstaple items to consumers. Treasuries, as interest rates start heading up. "Cash is a horrible place to be right now. Money sitting in cash isn't earning anything these days."

### RAY FERRARA,

president and CEO of ProVise Management Group LLC in Clearwater



#### Market outlook:

Eventually, there will be a correction, but the markets should still wind up on the upside. "We would be happy with an 8 to 10 percent increase," he said. "The recovery won't be as dramatic (as 2009) but it could be much better than many people are expecting."

#### Where to put your money:

The entire domestic stock market should do well, with mid-cap stocks best positioned. Emerging markets have potential for big gains ... along with big risks. As interest rates rise, stay on the short end of the yield curve in bonds. "As boring as it sounds, the most important thing is that you have a disciplined plan ... and don't chase the next big bubble."

#### Where to avoid:

Stay away from precious metals like gold. The price of metal mutual funds are up 80 percent in 2009 and have already seen their glory days. Look for the bubble in China to burst. Don't borrow money to invest.

### HARRY S. DENT JR.,

founder and CEO of H.S. Dent in Tampa



#### Market outlook:

The markets will rally another 9 to 10 percent early in the year before a big correction takes hold amid rising defaults. "We see a crash approximately the size of the one we saw before (in '08 and early '09), which is hard to imagine." After falling to new lows of 3,000 to 5,000 for the Dow and 300 to 500 for the S&P, look for a rebound in 2011 and another drop in early 2012.

#### Where to put your money:

Paradoxically, the U.S. dollar. Short-term, interest rates may rise on signs of a recovery, but long term, more bad loans will be written off, and that's good for the value of the dollar. "The dollar is down 60 percent since 1985; it's already collapsed. ... Gold is not the play to protect you. Cash is." Invest in funds that bet against the stock market.

#### Where to avoid:

Gold. Foreign currencies like the Swiss franc. Oil and commodities will eventually go down. Domestic stocks.

### TOM O'BRIEN,

local radio show host and author



#### Market outlook:

Look for a deep retracement almost immediately, with the Dow falling 50 percent and S&P index slightly more. "Interest rates are going up. ... You have gold pulling back. And the market will be the next one to pull back."

#### Where to put your money:

"The best trade in 2010 will be in the gold market." Gold prices are pulling back temporarily but within a couple years will trade in the \$1,350-to-\$1,450 range.

#### Where to avoid:

Nasdaq, given the exposure to tech stocks, which are at highs right now. Avoid commercial real estate, i.e. the Dow Jones Real Estate Index. International stocks are poised to take a hit. "Long-term bonds are getting killed."

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