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Tips to keep your portfolio afloat until the bull returns

By Greg Saitz and Joseph R. Perone / The Star-Ledger

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For investors feeling a bit queasy from the stock market's year-opening swoon, an increasing number of market pros have two words of advice: Buckle up.

They're expecting a bumpy ride through at least the first half of 2008, as fears of a recession, the continuing credit crisis and oil prices work their magic on the markets. Just look at the news from the first three days of trading this year: On Wednesday, oil hit \$100 a barrel for the first time, and on Friday, the unemployment rate reached a two-year high.

Stocks plunged both days, with the Dow Jones industrial average finishing the week off more than 464 points, to close at 13,264.82.

But here's the kicker: When TV and radio personality Dick Clark ushers out 2008 in Manhattan's Times Square, the markets may have smoothed out and clocked healthy gains, some experts said.

"One thing investors -- not traders -- should keep in mind is they've got more time than the next three months," said James Paulsen, chief investment strategist at Wells Capital Management, an investment advisory firm in San Francisco.

The S&P 500 index could rise 13 percent to 15 percent by year's end, said Harry Clark, chief executive of Clark Capital Management, a Philadelphia money manager. The broad stock index finished 2007 at 1,468.36, for a gain of just 3.5 percent.

"Election years are usually pretty positive," he said. "However, the first quarter is very dicey. We could test the bottoms and might even break them."

Here are some sectors, funds and individual stocks that bear watching in 2008.

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OUR STOCK PICKERS

Doug Kreps, co-manager of the Fort Pitt Capital Total Return Fund in Pittsburgh; Rob Lutts, chief investment officer, Cabot Money Management, a Salem, Mass., wealth manager; Steve Bellman, senior vice president and investment director for PNC Wealth Management in Princeton; Joe Clark, managing partner of the Financial Enhancement Group, an Anderson, Ind., investment adviser; and Harry Clark, chief executive of Clark Capital Management, a Philadelphia money manager.

Note: The fund managers may own shares in some of the stocks and funds they recommend.

SECTORS TO CONSIDER

Technology: The United States remains a leader in innovation through companies such as Apple and Hewlett-Packard.

Health care: Pharmaceutical companies such as Pfizer and Merck have solid late-stage drug pipelines. Merck's Vioxx issues are mostly behind it.

Construction: Companies such as Caterpillar, Joy Global and John Deere should do well because of the need for infrastructure and agribusiness in emerging markets.

Alternative energy: With oil near \$100 a barrel, solar and wind power will soon become more economical.

Industrials: Large-cap growth stocks such as Boeing and Honeywell play into the strong demand for commercial aircraft and aerospace components from buyers in the Middle East and China.

SECTORS TO AVOID

Financials: The news most likely will get worse for investment banks that bet heavily on mortgage-backed securities.

Cars and appliances: Consumers will have a hard time buying big-ticket items such as refrigerators, dishwashers and autos with housing values under siege in some parts of the country.

Retail: There's too much competition among retailers, and many consumers are tapped out because their incomes are stagnant.

Others: Utilities and energy.

MUTUAL FUNDS

Offer investors diversity through a variety of stocks or bonds or both.

UMB Scout International (UMBWX): Developing markets, no-load fund provides currency diversification by investing in Japan, Germany, the United Kingdom and France. (Doug Kreps)

Harding Loevner (HLEMX): Invests in Taiwan, Singapore, China, Brazil and Malaysia, which are among the fastest-growing areas of the world. (Kreps)

T. Rowe Price International Bond Fund (RPIBX): Invests in corporate and government bonds in developed markets such as Europe, the United Kingdom and Japan. (Kreps)

Oppenheimer International Bond Fund (OIBAX): Invests in high-quality bonds in Australia, Italy, Germany and Japan. (Rob Lutts)

EXCHANGE-TRADED FUNDS

Offer the diversity of a mutual fund but trade just like a stock.

PowerShares Wilder Clean Energy Portfolio (PBW): Invests in technology to make it easier to deliver solar and hydroelectric power. (Joe Clark)

iShares Russell 1000 Growth Index (IWF): Its large-cap domestic growth stocks, such as Microsoft, Intel and Cisco, should outperform value-oriented shares. (Steve Bellman)

iShares MCSI EAFE Index Fund (EFA): Owns stocks in Europe, Australia and the Far East to counter the weak U.S. dollar. (Bellman)

Morgan Stanley Technology ETF (MTK): Business spending on productivity software should be reasonably strong this year. (Bellman)

iShares Dow Jones U.S. Healthcare Sector Index (IYH): Big Pharma fund should benefit from aging Baby Boomers who continue to spend money on their health. (Bellman)

STOCKS

Can be riskier than mutual funds but provide more chance for upside gains.

Nuance Communications (NUAN): Dominant player in providing voice recognition systems that allow customers to talk to their financial institutions. (Lutts)

52-week range: \$11 to \$22.56; Friday close: \$16.26

Zoltek (ZOLT): Provides carbon fiber used to make wind-power blades. The price of carbon fiber is starting to come down, similar to the fall in fiberglass prices. (Lutts)

52-week range: \$19.98 to \$51.77; Friday close: \$40.90

Barrick Gold (ABX): Mining company has interests in gold, copper, silver and zinc around the world, at a time when Asian investors are buying more precious metals. (Lutts)

52-week range: \$26.94 to \$49.33; Friday close: \$47.93

First Solar (FSLR): Develops thin-film technology to help lower the cost of solar power in the next few years. (Lutts)

52-week range: \$27.54 to \$283; Friday close: \$245.58

Oracle (ORCL): Major maker of business software that large companies need to improve productivity and grow their business. (Joe Clark)

52-week range: \$15.97 to \$23.31; Friday close: \$22.03

Jacobs Engineering (JEC): Company leads engineering and infrastructure projects work around the world. (Joe Clark)

52-week range: \$38.25 to \$103.29; Friday close: \$96.61

PORTFOLIO ALLOCATIONS

Aggressive portfolio (for investors who can tolerate risk):

30 percent international stocks

50 percent U.S. large-cap growth stocks

20 percent bonds

Conservative portfolio (for investors who are squeamish about risk):

20 percent international stocks

40 percent U.S. Large-cap growth stocks

35 percent bonds

5 percent cash