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Bear market has another six months to go, investment experts say

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By Nancy Crawley

(Excerpt)

How long will this new bear market prowl Wall Street?

More important, will it get older and more dangerous?

That's what West Michigan investors want to know as they shake their heads over lousy second-quarter results for their retirement nest eggs and college-savings accounts.

The market officially slipped into bear territory July 2 when the Dow Industrials and other market indices reached the point 20 percent below their Oct. 9 high.

That's when investors were reintroduced to the growling symbol of a depressed stock market that last padded onto Wall Street in 2002, hung around for nine months and bled the market of 34 percent of its value.

Having felt the pain for months, investors want to know how much longer, how much deeper we are going....

Some perennial bears out there have real doomsday scenarios, said David Kudla, CEO of Mainstay Capital Management in Grand Blanc and adviser to many General Motors and Delphi Corp. employees. "But we'll work through this in a matter of months, not years."

On the day I talked to Kudla, oil prices were dropping and the market showed signs of life.

It was a short-lived example of what could happen, he said. "A significant drop in oil prices would mean a significant rally. But it's anyone's guess whether that happens." Or when.



"We have a choppy second half ahead of us"
David Kudla, Mainstay Capital Management

The day after that conversation, Iran started to test its missiles, and the bear was back.

"If we have some second-quarter earnings surprises on the upside, it could turn the market," Kudla added.

Tips for riding it out

So what should an investor do?

The adage "Just hold on" will have to suffice, unless you need to take a loss for tax reasons.

It's certainly not a time to be adventuresome, even though some observers say stocks are "on sale" and "dirt cheap." That may be true -- unless they are cheaper tomorrow.

And even though bank stocks are trading at a third of their value over a year ago, it isn't time to dabble in them....

