

The Street

Young Investors Should Hope for a Pullback Sooner Rather Than Later

By: Bret Kenwell (excerpt)
27 March 2015

NEW YORK (TheStreet) -- On Friday, the CNBC "Fast Money Halftime" show was shot from the Cobo Center in Detroit, which is hosting the 2015 ENGAGE International Investment Education Symposium.

The trading panel had some advice for the young investors, along with some thoughts on the broader market. ...

...In the past year, the S&P 500 has gone through several pullbacks ranging between 4% to almost 10%, which have presented great buying opportunities, Brown added. Each time a new sector or industry leads the stock market higher it's a healthy sign for a continued bull market.

This could be the year where investors see a deeper pullback, argued David Kudla, CEO of Mainstay Capital. There's a lot of unknowns lurking around the corner, such as the strength of the U.S. dollar, the impending rate hike from the Federal Reserve and a bull market that many are considering somewhat long-in-the-tooth.

Many of today's young investors haven't seen a bear market or even a pullback deeper than 10%, Kudla added. So while it's great to see the ambition and skill that many of them have, they need to keep their risks in check for when the eventual drop does come.

While some investors have been complacent, most have kept a more realistic expectation when it comes to the market and its future returns, said Stephen Weiss, founder and managing partner of Short Hills Capital Partners. The problem comes when investors believe everything is perfect and the market can't go down.

Perhaps it's because of the Great Recession that many young investors are more cautious, but hedging has become an important part of investing, added Pete Najarian, co-founder of optionmonster.com and trademonster.com. Today's investors should expect increased volatility and also adjust their portfolios in the short-term to account for the continued rally in the U.S. dollar, he added.

Bill Miller, chairman and CIO of LMM and portfolio manager of the Legg Mason Opportunity Fund (LMNOX), was a guest on the show. He reasoned that young investors need to focus on three things: Using time to their advantage, finding out what works best for them in the market and always continuing to adapt and learn. ...