



Market 'Getting Ahead of Itself' with Easing Hopes: Strategist

By: Katie Little
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Although the Dow soared to its biggest gain in almost two weeks, the market might be getting ahead of itself as investors eye a highly-anticipated speech by Federal Reserve chairman Ben Bernanke late this week, strategists said.

"At the end of the day though, I don't think this is going to do a whole lot," said Larry Kantor, head of research at Barclays Capital, about possible action by the Fed. "The problem isn't that interest rates aren't low enough right now. There's some structural impediments in the U.S. economy."

Kantor added that he does not expect Bernanke to announce QE3, or a third round of quantitative easing. If QE3 is announced, Kantor said it would have to be more than the \$600 billion in Treasuries the Fed purchased in November. If the amount were to be the same or smaller, the easing could have a negative effect, he said.

Anthony Chan, JPMorgan's chief economist, said that while the Fed's Jackson Hole, Wyoming meeting might not necessarily produce an announcement of quantitative easing, it could produce a friendlier tone by the Fed—one that would be supportive of the economy and financial markets.

Chan called the economy "soft" right now and said he expects slower growth in the second half of the year.

The markets will continue to experience volatility in the weeks ahead as the risk of a recession persists, said David Kudla, CEO and chief investment strategist at Mainstay Capital Management.

Kudla recommends picking stocks carefully and hedging with gold to ride the choppy market.

"We think that investors should stay with growth areas like industrials, technology, energy, but also diversify in defensive sectors—utilities, telecom, health care, consumer staples. And look for those high-dividend payers that, with the market volatility we saw in the last couple of weeks, provide a cushion and offer a higher yield than bonds right now," Kudla said.