

## **Analysts see some relatively safe bets in Wall Street mine field**

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From Blue Chips like Newmont Mining Co. to small, well capitalized banks like **Fox Chase Bank** in Pennsylvania, investment advisors and analysts say there are some value and relative safe plays for investors looking for a haven from the volatility in the equity markets.

Wednesday marked another day of big declines on Wall Street. The Dow Jones Industrial Average dropped 520 points, or 4.6 percent, to 10,720. The Nasdaq Composite slid 101 points, or 4.1 percent, to 2,381 and the Standard & Poor's 500 Index slipped 52 points, or 4.4 percent, to 1,121.

The swings are so unsettling that Paul Schatz -- president and chief investment officer of investment advisory firm Woodbridge-based Heritage Capital -- said it makes him wonder if investors would be better off tending bar in the islands rather than facing the massive swings of late.

Schatz, with more than \$100 million of assets under management, said people who need income but want safety, such as retirees, don't have many safe plays. They're being driven out of Treasuries, which are yielding record lows, and savings accounts have interest rates lower than the rate of inflation.

"There are no alternatives (to equities)," said Schatz, if people want to see a gain in income. So get used to the rough waters, he said.

"We'll have heightened volatility through October, marked by hair raising declines and incredible rallies" he said. "If you're not comfortable, don't play."

Schatz said if are looking for total safety, you still have to go with Treasuries; "I don't believe it is safe to hold anything but Treasuries."

But it's not a complete minefield in equities. Investors can be smart about what they pick and spread out their risk, said Schatz, who would consider precious metals/mining stocks like Newmont Mining if he was creating a defensive portfolio. He'd want shares in consumer staples that pay dividends, like Johnson & Johnson and Colgate Palmolive, and he would hold a technology company, such as Microsoft or Intel, but would probably lean towards Intel. And, he'd want a utility, like Dominion Resources, he said, to round things out.

While there is concern, Schatz said clearly, there are stocks selling at fire-sale prices, and some might be valuable buys when the market turns around.

For Schatz, Cisco Systems Inc. would be a potential value buy, as would JP Morgan Chase, which is the only financial stock he said he would even consider right now.

"Financial stocks scare me," he said.

That's because lenders in particular could see an uptick in bad loans if the economy takes a nose dive and more people are thrown out of work and can't pay mortgages, auto and other loans.

The potential for that is there, according to Sterne Agee Analyst Matthew Breese, based in Maine, who said it's particularly true for the larger banks. That's why Sterne Agee's Banks and Thrift group recommends people take a look at smaller banks. Sterne Agee is headquartered in Alabama with more than \$15 billion under management.

"These are former mutual banks that have gone public and have become grossly overcapitalized," he said.

They're less volatile and management tends to be defensive with the institution buying back more of their shares at this time to preserve book value.

On the upside, the banks that have taken the step to become fully public have a high rate of sale, with 60 percent being acquired after a conversion, he noted.

He said investors need to look at non performing and underperforming assets to get an idea of what condition the bank is in.

Sterne Agee has "buy" recommendations on **Fox Chase** and Massachusetts-based Brookline Bancorp Inc.

Greg Drahuschak, market strategist of Philadelphia-based broker Janney Montgomery Scott, which has \$50 billion under management, wouldn't recommend any particular stocks Wednesday. He said people should be careful when creating a defensive portfolio, as that can lead to some blunders.

He said there's a tendency in times like these -- he's been in the field for more than 40 years -- for investors to gravitate into the highest available dividend yield.

"The current yield can be a sign of actual problems," he said. "It could mean the market doesn't believe earnings can support the dividend."

The dividend yield is how much income an investor gets compared to the price of the stock. If there is concern a company might have to cut its dividend, the price of the stock might fall, but the yield is based on the last dividend payment and therefore the yield becomes larger.

He said investors need to look at well capitalized companies that are both capable and willing to pay dividends.

Just because a company has lots of cash doesn't mean they will pay out dividends, he said. So look for a company that has a history of increasing its payouts, and check its credit rating with Standard & Poor's, he said.