Connecticut Post (Bridgeport, Conn.)
http://www.ctpost.com/opinion/article/Time-to-invest-or-not-4355672.php
Published on the Internet March 14 and in print on March 15, 2013

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Time to invest ... or not?

With the stock market now about double its 2009 low point, virtually surging in recent days, the big question for investors is, what do I do now?

If you have been sitting on cash, waiting for the right time to jump into the market, has the golden moment passed? Is it too late? The old adage, "buy low, sell high," seems to imply that it is best to sit on the sidelines at this point.

However, opportunities remain for discriminating investors, those willing to spend some time evaluating long-term objectives and then considering what options now are available to help meet those goals.

Clearly, this is not the time to jump willy-nilly into the market. Prudent investors would be wise to tread carefully and look for continued evidence of an improving economy, which could be the basis for movement to higher levels in the equity markets.

One factor aiding the market has been a high inflow of sideline cash. By one measure, the net inflow to stocks over the past 12 months totaled $76.7 billion -- with nearly $28 billion added to stocks just since Jan. 1. Of course, as always, history is never any guarantee of future performance. However, to date, there doesn't seem to be a significant slowdown in institutional money flowing into equities.

Nevertheless, all is not rosy. There are, indeed, significant clouds over the economy and, therefore, the stock market. Will the Federal Reserve maintain its current policies, which have aided the stock market advance? Will the economy suffer from the federal government's budget-cutting requirements? Will short-term interest rates remain low, causing investors to seek higher-yielding opportunities? The list of questions and potential economic disruptions is nearly never-ending.

For some who have seen hefty profits from the stock market rise, now may be the time to selectively reduce risk and shift funds out of equities, particularly if a portfolio analysis suggests an overweighting in a particular stock. Too often, individuals find that a significant portion of their portfolios is in the equity of their employer. While it is great to have confidence in the company where you work, it is never a good idea to "bet the ranch" on a single investment.

Diversification, when properly executed, can improve performance by smoothing out the "bumps" that invariably crop up, sooner or later.

For many investors, specifically those seeking immediate income, diversification may include what are sometimes called "dividend aristocrats." Typically, there are large, blue-chip companies that have consistently raised dividend payouts for several years. Emerging markets also deserve consideration as the growth rates of the economies in these nations have been greater than in the U.S. and similar industrialized nations. As well, many of these countries are not saddled with large debt, allowing policymakers greater flexibility.

And then there are a group of companies that really are "global gorillas," large multinational firms that can capitalize on the rapidly expanding middle class in such countries as China, India and Brazil.

Finally, there is one industry that deserves a look -- and that is often overlooked: water. Water may turn out to be the most important commodity of the 21st century as supply shrinks and demand increases. It may constrain economic development in major commercial centers worldwide. A number of companies are poised to take advantage of this development and are worthy of serious consideration.

So, what should an investor do now? Nothing is the wrong answer. Even at today's modest rates, your money will only be eaten away by inflation if kept under the proverbial mattress. It just takes some time and patience to ferret out the opportunities that are best for each individual.

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