

## EXPERTS WEIGH IN

### What's an investor to do in a volatile market? Investment pros give their take on factors to keep in mind.

**There were days this quarter with big gains or drops. Is the market as healthy as it was on its best day, or as unhealthy as it was on its worst day?**

**What's the surprise of the quarter?**

**Did the Fed make the right decision Thursday?**

**Will the subprime mortgage market have any more effect on stocks this year?**

**The S&P is up about 6 percent year to date. How will we close out 2007?**

**Gregory Anderson**  
GRAnderson Wealth  
Management Group

As the market increases in value the fluctuations are bound to seem greater in terms of raw numbers -- but the percentage changes are in keeping with historic movement. We are actually more surprised to see days of relatively little movement, and we still think the overall trend for the near future is up.

Essentially, the market's progress over the course of the quarter was relatively uneventful. Focusing locally, we were most surprised by the continued strength in CROX and the relatively minor dip in Qwest following Dick Notebaert's retirement announcement.

The Fed was right on the money to hold rates. The core inflation rate that includes energy and food has made a slight increase but not enough to cause concern.

Although we saw some negative market reaction to the subprime mortgage, most of this has played out. We may be out of the woods with these episodes, and we should not see any dramatic impact in the overall markets.

With smaller investors coming off the sidelines and the continued investments with the institutions, this may be enough for the S&P to end up 10 to 12 percent for the year. All the fundamentals are in place for the market to continue its increases.

**Micheal D. Bergmann** Senior executive  
vice president, AMG National  
Trust Bank

No and no. Markets frequently overreact to the news of the day. Recently, market participants have focused on interest rates, inflation and bond yields. In spite of sub-par economic growth, for instance, the 10-year Treasury peaked at 5.3 percent and has since dropped to 5.1 percent, but the cat's now out of the bag and volatility is back into the financial markets.

The only surprise is surprise itself. Recent market volatility appears to have caught investors napping. While the frequency of volatile events has increased since February, that increase is more "normal" than the period of relative low-level volatility leading up to early this year.

No. Trend economic growth is below potential, core inflation is running less than 2 percent, and monetary policy is slightly restrictive. Year-over-year growth in broad money supply is not unusually strong, and growth in narrow monetary supply measures is positively anemic.

Sure, but it will be largely limited to those companies directly participating in subprime markets. Subprime lending is quite small compared to the size of the economy and financial markets, and it poses little systemic risk to the economy because the bulk of the financing is provided outside of the banking system.

We'll stick with our beginning-of-year projection and expect the S&P 500 to advance in the range of 5 percent to 15 percent for the full year. Best guess is 10 percent -- the midpoint of the range.

**Andre Ratkai**  
President, Praxis  
Advisory Group

Increases in volatility are typically seen at market turning points, as sentiment swings wildly between optimism and pessimism, and investors act accordingly. Measures of breadth (e.g. stocks above their 30-week moving average), new highs vs. new lows, and price momentum have not confirmed the new index highs for several months.

The rapid change in sentiment regarding interest rates. Investors have moved from being very complacent about interest rates to realizing that they have broken (upwards) through long-term technical barriers. Only the most naive can look at interest trends without seeing the long-term shift to rising yields.

Unlikely, as I believe the Fed has fallen behind the curve in terms of stemming price and asset inflation, as they historically do. It is the broad bond market that most accurately assesses the outlook for inflation, not the Fed; they are interest rate followers, not leaders.

Yes, for two reasons. While subprime mortgages have gotten the headlines, it is the adjustable rate mortgage market that is most worrisome. This represents a much larger part of the mortgage world and, as interest rates rise, will have a greater effect on consumer spending and, therefore, general economic growth.

I think stocks will struggle to maintain the gains so far this year. The most-likely scenario is a correction lasting into September-October that wipes out the year-to-date gains, and then a fourth quarter rally that brings returns back up to the 6 to 8 percent range.

**Jeff M. Wilson**  
Wilson Advisory Group

Higher volatility is common when a massive market move exhausts itself, on the upside and on the downside. The market has been on a steady tear since July 2006, and it has about run its course for the time being. The economy is fairly healthy, but the market is tired.

That all the experts continue to say, as they have for the last eight months, that "housing has bottomed out," and the media continues to report it without laughing.

Probably. Ask me again in six months

Will it be hot in Phoenix this summer? Since so many financial institutions had a financial interest in these loans, their effect is inevitable. It is impossible to predict the nature and extent of the effect. Suggestion: Be cautious

Down 7.6589325 percent.