Swing, Swing, Swing

Whether market triggers are bad or good catalysts, Wall Street has had many roller-coaster rides throughout the week. With several sizeable swings during the intraday, the **Dow** finished up 0.9% for the week at 12,307.49. The **S&P 500** also added 0.9% to reach 1409.84 and the **Nasdaq** was up 1% to 2437.36. After digesting a stronger-than-expected jobs report published by the Labor Department, the 10-year treasury note fell by 19/32, yielding 4.56% as bond traders interpreted it as a sign of not seeing any near-term rate cut. (Treasury yields move in the opposite direction of their price.)

Due to the absence of a major drive in the markets, traders and investors are very sensitive to any possible catalysts or even rumors, which have lead to a volatile trading span. With M&A deals coming out one after another and money managers waiting for the opportunity to jump in, the stock market has managed to pull back from its slide. The market is short term overbought and it will stay overbought at least for a while. Wall Street has probably yet to see a major correction. However, even though the markets are at a jittery stage, investors can use a value approach strategy (buy low and sell high) instead of a growth approach (buy high and sell higher) to join the ride in the markets. When the swing comes down, investors might be able to find diamonds from the dust. If it is a fundamentally good company, the drop of its stock price can be caused by the overall market not because of the company itself. On the other hand, take profits slowly but surely when the stock market swings back. The return on US equity may remain as high as 18%. Nevertheless, the market is leaning toward risk than reward. It is probably wiser to secure the profits while the market has the strength bounce back.

Buy on the deep but don't chase it. For instance, **International Business Machines** (IBM) is a potential choice for the investors to buy when the overall market drops. **Microsoft** (MFST) has the room to grow from $23 to $29 per share with coming release of the latest Windows operating system, Vista. Corporations might want to take this opportunity to do some upgrades. However, it is probably better for investors to wait and then buy when Microsoft is at around $27 per share. **Oracle** (ORCL) and **Cisco** (CSCO) can be good buys when they are under $18 and $26.5.

On the retail sector, it is likely Wall Street will have a lukewarm rather than lucrative Christmas. Department stores will be a better choice for investors than the individual retailers. For example, **Federated Department Stores** (FD), the week before Christmas could be the good buy in opportunity.

The areas that investors should be cautious of or probably stay away from are regional banks, and financial services such as **Bank of America** (BAC), **JP Morgan Chase** (JPM), and **Wachovia** (WB) despite small increases last week on the

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prospect of an interest rate cut. On the individual company side, **Dell** (DELL), **General Electric** (GE), **Ford** (F), and **General Motors** (GM) would probably be considered dead money.

On the emerging markets sector, if the dollars stay down or US market encounters a major correction, foreign markets such as BRIC will probably have a better potential than the US market. Examples would be Thailand, Vietnam, Peru and Chile.

Finally, besides the market triggers, the approach of tax season has added another widget to investors' concern list. Many of them might not take real profits without thinking about Uncle Sam first. We might see people start selling for the lost, which are the underperformed stocks, to offset the profits they have made before the year end. Investors should probably also sell securities without tax consequence from their 401K or IRA before a possible correction occurs after the New Year.