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Stocks bounce back — a little

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Investors returned to the stock market on Wednesday to pick up the pieces from the biggest one-day sell-off in 5½ years, and found enough bargains to end the month with a winning session.

Strategists and market watchers, meanwhile, agreed that while Tuesday's 3-percent-plus plunge may have been overdue, they differed as to what investors should do in the near term.

The market got an early boost in Wednesday's trading when the Shanghai stock market, which had a 9 percent plunge on Tuesday that triggered Wall Street's sell-off, also rebounded. Other Asian markets continued to slide, however.

Weighing the impact of the sell-off, chief strategist Sam Stovall at Standard & Poor's Corp. said "the underpinnings" of a bull market are still in place, and that the S&P investment strategy committee is not changing its forecast for a 6.5 percent stock market advance in 2007.

According to Tobias Levkovich, chief strategist at Citigroup Global Markets, one-

day stock market losses of more than 3 percent have a good historical record of being followed by a market recovery within three months.

"Accordingly, investors should be aggressive buyers of semiconductor stocks, retailers, telecom service stocks and select energy stocks," Levkovich advised clients in a special message.

But at SunTrust Robinson Humphrey in Atlanta, quantitative analyst Gary Tapp recommended that investors exercise some restraint, since the market could take "a further step down" to a total correction loss of 5 percent from its recent high or perhaps as much as an 8.5 percent loss.

"For investors with money on the sidelines, we would wait to let the market settle down," Tapp told clients in a message. "We would suggest waiting for at least a couple of solid up days before adding to equity positions."

Rob Tamburri, vice president of finance and investments at GV Financial Advisers, an Atlanta firm that manages about \$650 million in assets, said investors should welcome

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ROB TAMBURRI
GV Financial Advisers
vice president

the volatility that came with Tuesday's steep sell-off.

"We have come off a history of unusually low market volatility. This big drop was a good thing on a point basis," he said in an interview. "It let people understand that stocks have an inherent risk premium. It's good for people to see some volatility."

Said Tamburri of what investors should do now: "Generally speaking, if you are in stocks long term you should rebalance your portfolio every year, diversify and not look at the market every day."

In Wednesday's trading, the Dow Jones industrial average rose 52.39 points, or 0.4 per-

cent, to 12,268.63 — a day after dropping 416.02 points, or 3.3 percent.

The other major indexes also rebounded: the Standard & Poor's 500 by 7.78 points, or 0.6 percent, to 1,406.82, and the Nasdaq composite index by 8.27 points, or 0.3 percent, to 2,416.13. Trading volumes were unusually high again, reaching 2.25 billion shares on the New York Stock Exchange.

But for the month, the indexes declined by 2.8 percent, 2.2 percent and 1.9 percent, respectively.

Investors were also encouraged Wednesday by some positive comments from Federal Reserve Chairman Ben Bernanke, who said financial markets "seem to be working well."

At the end of the day, investors apparently were unaffected by news that fourth-quarter 2006 economic growth was revised down to 2.2 percent annually from an earlier estimate of 3.5 percent.

But despite a lower estimate, the gross domestic product inflation indicator was still higher than expected, which dampened investor hopes the Fed would soon cut interest rates.