Staying the Course

Erie-based financial institutions weigh-in on how to better understand the roller coaster of our current economy while maintaining a strong investment portfolio

| By Mark Toriski

There's a famous quote from legendary stock investor/ businessman/philanthropist Sir John Marks Templeton that rings true perhaps now more than ever, "Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria." And while this quote paints a colorful metaphor, it also rather accurately runs the gamut of emotions and actions of investors, particularly those enduring the unusual market of the 21st century, which has been plagued by everything from numerous bubble bursts and a constant state of flux to political discourse and an often-shaky global market. And the roller coaster ride is far from over.

Mark Holcomb, CRPC
Vice President-Investments and Branch Manager for UBS Financial Services Inc.

"The financial markets recently experienced a level of volatility that had not been seen since the dark days of the global financial crisis," says Mark Holcomb, CRPC, Vice President-Investments and Branch Manager for UBS Financial Services Inc., a silver level investor with the ERCGP, whose history in the Erie area dates back to its beginnings as Paine Webber Jackson & Curtis – a leading financial advisory firm operating locally on a national level – in 1951. "Market participants were forced to sort through a stream of weaker than expected economic data, an especially caustic political debate over the extension of a federal debt ceiling, the first downgrade of the U.S. sovereign credit rating from AAA, and a broadening of the Eurozone debt crisis to Italy and Spain."

"While volatility will likely ratchet lower in coming weeks," he continues, "few of the catalysts that prompted the broad-based market sell-off have been fully addressed, let alone resolved. This suggests that markets will remain 'choppy and sloppy' in the short-to intermediate-term. With the global economy likely to avert a renewed recession and equity valuations at attractive levels, stocks would appear to have an upside from here. However, slow growth prospects and significant systemic risks suggest that the upside is likely to be limited compared to the equity rally seen in the second half of 2010, and that downside risks remain." But can investors make the most of their investments while strengthening their portfolios in such uncertainty?

John Masterson, Senior Resident Director, Vice President for Merrill Lynch Wealth Management, a silver level investor with the ERCGP – which recently celebrated its 30th anniversary in Erie by starting a $30,000 endowment fund through the United Way and Erie Community Foundation to benefit local charities – notes that managing your emotions may be the key to managing your investments during this time of economic hardship.

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"The market is like a pendulum," he states. "On one end you have Greed and the other, Fear, and it will swing toward one or another. We had Greed in line in 2006 and 2007, when we saw people with two or three mortgages and credit was free and in the clear. It was excessive and probably to a fault. Then it moved the other direction, where people were afraid to do anything in fear of what could happen. There is a natural reaction to what we've dealt with particularly in recent years. There was a desire for clients to get rid of risks and it is hard to argue with clients to not make an emotional decision that could ultimately harm them. We manage client expectations but we also try to manage their emotions and try to understand their risk tolerance. We need to meet in the middle at an emotional standpoint and a pure market standpoint."

Holcomb agrees. "We are recommending our clients stay the course and remain properly allocated among each of the major asset classes – stocks, bonds, cash, commodities, and alternative investments," he says. "Of most importance is to allocate portfolios appropriately based on individual client willingness to take risk and their long-term investment goals and objectives. We help clients to not make drastic decisions based on emotions, but rather focus on the long-term goals rather than short-term decisions. We are constantly reassessing that to make sure people's comfort levels are where they need to be. I've seen a lot of times when it is hard to stay invested with a plan when there are a lot of emotions. Most of the time these things usually work themselves out and calmer times will come. Emotions are a basic human element and we help take them out of the decision making."

John Masterson, Senior Resident Director,
Vice President for Merrill Lynch Wealth Management

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And for those trying to ease their fears, there is solace to be taken in numerous factors keeping this financial crisis from reaching catastrophic levels. Holcomb points out that many large corporations have shown a higher cash reserve than during the financial crisis three years ago and, at present, the current S&P 500 dividend yield is at 2.2%, which is above the 1.9% yield of the ten-year Treasury bond – the first time this has occurred (with the exception of a four-month period in late 2008/early 2009) since 1958. Many investors are looking at this as a sign that dividends, particularly those of companies with a proven track record of paying dividends over a long period of time, will be much more resilient in the current cycle, unlike in early 2009 when this phenomenon signaled significant dividend cuts.

"Right now, I wouldn't call our market extremely bullish, but we are not bearish either," says Masterson. "We are seeing a lot of volatility – the S&P downgrade, the U.S. debt, situations over in Europe, and probably a malaise just in belief of what our government will do in terms of setting up a vision of where we are going to get to; those will cause a lot of disturbances along the way, but will eventually work themselves out. Companies want to put that money to work but they want to have some certainty and once that happens, the stock market can bode well for that. When things are really good, they are probably not as good as you think they are, and when they are bad, they probably are not as bad as you think they are," he continues. "Our job is to try and balance out that compliance. We can't promise we know what's ahead, but we can look to the past to draw some conclusions to make good decisions for the future." ■

Merrill Lynch Wealth Management

Erie Location:
510 Cranberry Street. For more information, phone (814) 453-6811 or visit www.wealthmanagement.ml.com.

UBS Financial Services Inc.

Erie Location:
100 State Street Suite 460. For more information, phone (814) 461-7000 or visit www.ubs.com.

Wells Fargo Advisors

Erie Location:
100 State Street, Suite 100. For more information, phone 814-453-5021 or visit www.wellsfargoadvisors.com.

The Wells Fargo history of providing a full-range of financial services to this region is strong and respected. The company's presence in Erie dates back to the early-1960s, beginning with its predecessor firms. The first, Prescott Ball and Turben, was acquired by Kemper Corporation and became Kemper Securities in the early 1990s. Since then, through industry mergers and acquisitions, the brand has been Everen Securities, First Union Securities, and Wachovia Securities. In 2004, Wachovia merged with Prudential Securities, another prominent longtime Erie presence, and in 2008 the combined firm merged with Wells Fargo and Co, an investor with the Erie Regional Chamber and Growth Partnership.

Contributed by **Greg Orlando**, *Senior Vice President, Branch Manager for Wells Fargo Advisors*

Prescott Ball & Turben was opened in the old Marine Bank Building at 9th and State Streets by Robert Gittrich, a respected advisor and mentor in Erie for over 35 years. The Erie connection doesn't stop there. James Boris, an Erie native raised and educated here, was Chairman and CEO of both Kemper Securities and Everen Securities.

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