

# Risk Assets Will Be 'Guilty Until Proven Innocent' in 2012; Virtus Strategist Expects New Verdict in the Second Half

Terranova releases annual market outlook, new book for investors

HARTFORD, Conn., Jan. 9, 2012 /PRNewswire/ -- [Joe Terranova](#), chief market strategist at [Virtus Investment Partners](#) and author of the new book "[Buy High, Sell Higher](#)," believes a defensive strategy remains the right course for early 2012 until the global market crisis of confidence ends and investors stop viewing risk assets, such as equities, as "guilty until proven innocent."

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In his [quarterly market commentary](#), Terranova suggests the culprits behind the crisis – U.S. and European policymakers – will remain headwinds for at least the first quarter, but the potential exists for a recovery in the second half as the U.S. and China regain economic strength, Europe proves that its debt situation is under control, and the likely outcome of the U.S. presidential election is priced into the market.

Terranova expects the "guilty" verdict on risk assets will be overturned in the second half and that the financial markets will witness a historic reallocation trade out of safe-haven Treasuries into riskier assets, including equities. While he expects equity markets to end higher for the year, he cautions the markets have evolved so much over the last decade, including the rapid rise of computer-driven, high-frequency trading, that "extreme volatility is here to stay and investors must take a much more active role with their portfolios – or enlist the help of a professional financial advisor – to manage risk and protect the downside."

Terranova expands on this view in "Buy High, Sell Higher," which lays out the "new rules" of investing based on his experience as a professional trader for more than 20 years. "Joe's knowledge and drive to share his perspective on changing market dynamics – whether through his [blog](#), [commentaries](#), and now the book – complements our efforts at Virtus to help investors identify where the next growth opportunities may be and to offer them fitting product solutions," said Jeff Cerutti, executive vice president and head of retail distribution at Virtus Investment Partners.

Terranova has several suggestions for 2012. Equity investors may want to own consumer discretionary and consumer staples companies focused on U.S., Latin American, and Chinese consumers; energy stocks, particularly mid-continent refiners; and technology companies, with an emphasis on large-cap, dividend-paying names. In terms of fixed income investments, he suggests sticking with municipal bonds and investment grade corporate bonds with a focus on shorter duration; and for commodities, he advocates oil and precious metals, with a move into industrial metals in the second half when China's demand is expected to pick up.

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