Don't 'Sell in May;' Do Go Away

Investors should remain committed to their strategy in 2010,Says Virtus Chief Market Strategist Joe Terranova

HARTFORD, Conn., April 22 /PRNewswire-FirstCall/ -- If 2010 is indeed the second year of a historic market recovery, as some trends indicate, does it make sense for investors to "sell in May and go away," as the old adage suggests?

(Logo: http://www.newscom.com/cgi-bin/prnh/20090105/NEM020LOGO)

"Absolutely not," says Joe Terranova, chief market strategist at Virtus Investment Partners (Nasdaq: VRTS). In his latest quarterly commentary, Terranova advocates a "don't sell in May, but do go away" approach, suggesting that investors should maintain the disciplined investment strategies they set at the start of the year, yet feel comfortable enough with the economic recovery to "go away" and not be overly concerned about a precipitous sell-off in the capital markets.

As Terranova initially advised in his commentary, It's the Tortoise, Not the Hare in 2010, we are seeing a "tortoise rally . . .(that makes) it difficult for investors to stay the course." Though he does believe that capital markets will end 2010 higher than they were at the start of the year and that "any sell-off continues to be a shallow correction and should be seen as a buying opportunity," we are entering a "season of frustration."

Terranova, who is a regular panelist on CNBC's "Fast Money" and blogs on Virtus.com, indicates that the "V" shaped recovery offers opportunities for investors. Corporate bonds, particularly high yield and investment grade, along with commodity positions are among the most attractive.

He sees a growing demand for commodities, including copper, as developed markets rebuild inventories and emerging market countries begin to exhibit growth again, and suggests that investors should add to commodity positions if there are any sell-offs similar to what occurred in the first week of February.

The U.S. dollar will resume its downward trend later in the year despite recent valuation moves to the contrary. He expects the dollar to strengthen temporarily as the European Union debates the best way to handle Greece's credit woes. But, "opportunity exists in any currency crisis," Terranova says, and he sees longer-term investment opportunities in Canada, Germany, and Russia.

Finally, Terranova thinks the Federal Reserve Bank will continue to do what it can to restore the health of the economy by keeping private sector borrowing costs low. "The Fed is not, in this political year, going to challenge Main Street with higher borrowing costs." He views a sustained break above 4 percent for 10-year Treasury yields as a critical indicator.

"No doubt much of 2010 will be frustrating for investors," Terranova says. "For much of April through October, I expect a market that will challenge investors to stay in the game and adhere to their predetermined strategy. Last year, 'sell in May and go away' didn't work. This year, I don't see it working either."

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