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Grizzly, but bearable: As market swings, wealth managers point to opportunities for wise hunters

As the stock market gyrated in recent weeks, we asked 14 wealth management advisers how worried we should be. Their advice, boiled down to a word: Chill.

By Tom Henderson

Yes, stock markets have had a wild ride during the last month — unlike anything seen since the Great Recession.

There have been worries about Greece, the **Federal Reserve Bank** and interest rates, the collapse of the Chinese stock market and the repeated currency devaluations by the government in Beijing.

Plotted on a graph, the ups and downs of the market indexes look like a blueprint for a new roller coaster at Cedar Point. The **Standard & Poor's** 500 index had its worst month in August since May 2012, then on Sept. 2, the Dow promptly lost 470 points.

How worried should we be? Are we staring a bear market in the face? Or, worse, another recession?

"Not much," and "no" are the unanimous answers of 14 wealth management advisers interviewed by *Crain's*. Their advice to clients, boiled down to a word: Chill.

"This is when the money is made," said Peter Schwartz, a principal in Bloomfield Hills-based **Gregory J. Schwartz & Co.** "Our job is to take the emotion out of it. The crisis du jour is China. Months ago, it was Greece. We're not being defensive. We're telling people to stay the course."

"There's going to be really good opportunities moving forward," said Pete Gargasoulas, vice president and chief portfolio officer in the Southfield office of **Fifth Third Bank**.

"This is a correction; this is not a bear. Rumors of China's death are greatly exaggerated," said Leon LaBrecque, CEO of Troy-based **LJPR LLC**. He says sell-offs and fear have resulted in bargains, and he's in a buying mood.

"We've added oil to holdings, and we're going to keep buying into energy. I love times like this. It's a lot more fun having opportunities," he said.

Volatility drivers

Marie Vanerian, managing director of wealth management for the **Vanerian Group**, which focuses on institutional clients in **Merrill Lynch**'s Troy office in the **Bank of America** building, reflects the consensus view among her peers of recent events. Each driver to the recent market volatility has its own set of circumstances — and it's important to look at the markets with a longer lens.

• On the sell-off in U.S. equities in August and September: "We've been way, way due for a correction," Vanerian said. "It's been four years since we had our last correction of 10 percent or more.

"The market was looking for a reason to sell — and the last few years hasn't had one. China was the excuse."

• On how worried people should be over the crashing Chinese market and devalued currency: "The market crash was overdue and fueled by a liquidity crisis. We think the hard-landing scenario for the Chinese economy is overdone."

• On Greece: "Greece isn't a big enough economy to be the disaster people were worrying about."

• On what looks like now will be a quarter-point rise in rates when the members of the Federal Reserve next meet in December to raise near-zero interest rates: "As soon as the Fed begins to normalize interest rates, the better the market and the economy will be."

Asked about Greece, Schwartz said: "China puts Greece in perspective. Greece is insignificant."

Interest rate concerns

Jim Robinson, CEO of Grosse Pointe-based **Robinson Capital LLC**, said that since the Fed had been making it clear for many months it would begin raising interest rates, either in September or December, it didn't matter to the market if it was now or then.

"It was no longer a question of if, but when," he said.

"Since I started doing this in 1981, I am not aware of a message about where monetary policy is going that has been telegraphed so insistently and for so long," said Dennis Johnson, chief investment officer for **Comerica Bank**.

"If anyone is surprised when the Fed moves, clearly they have had other things to focus on. This will not be a shock to the financial system."

Market volatility

When asked for a statistical take on the volatility in the stock indexes, one noted local adviser offered a percentage chance of a bear market.

David Sowerby, portfolio manager in the Bloomfield Hills office of **Loomis Sayles and Co. LP**, said: "The most-often-asked question I'm getting is: 'Is this unpleasant 10 percent correction going to lead to a painful bear market?' "

"The long-term history of the market says that one in four 10 percent corrections leads to a bear market. I'd say the chances this time are one in six."

Clients need some reassurances in this kind of a market that it is not the beginning of a bear — and may even be a good time to add equities in a select fashion, said Robert Gardner, senior portfolio manager in the Ann Arbor office of **KeyBank**.

"We've been convincing our clients to just enjoy their money and not watch stock reports on a daily basis," Gardner said.

Mike Dzialo, president and chief investment office of Rochester-based **Managed Asset Portfolios LLC**, said the market crash in China and the accompanying devaluation in the country's currency are of little long-term concern. They are, he said, just predictable results of a shift to a consumer-driven economy that needs far less commodities and raw materials.

"We think the global economy will muddle along, which is a structural problem rather than a cyclical problem. The amount of debt in the system is at the heart of economic problems in the U.S., Japan and Europe," said Dzialo. But do the various factors affecting market volatility add enough of a fear factor to impact the actual indexes?

Most advisers say "no."

"You never say never, but if there is a bear market, it won't be from an economic standpoint, it will happen from a fear standpoint," said Nancy Meconi, a partner in the Auburn Hills office of **Plante Moran Financial Advisors LLC**.

"People need to avoid overreacting. They need to avoid panic. They need to avoid trying to time the market," she said.

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