



TRADER EXTRA

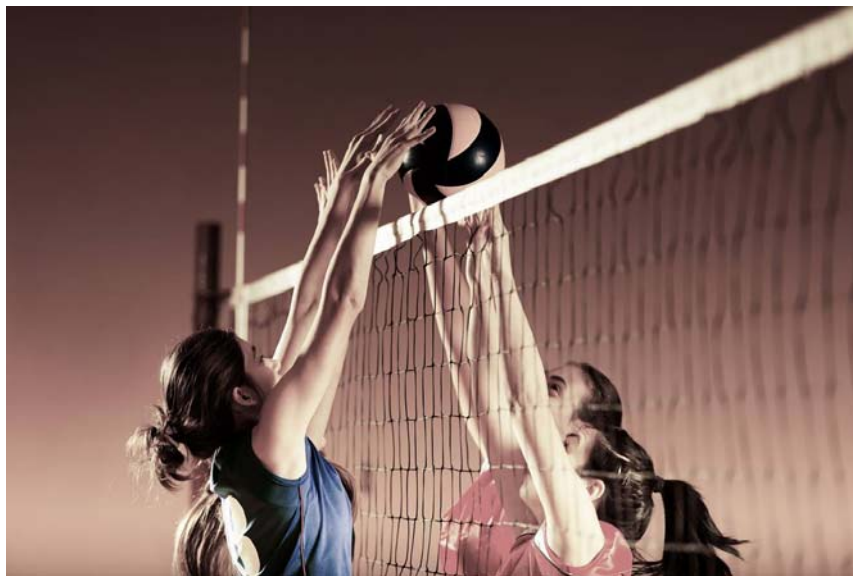
# Playing Defense if Stocks Drop

Investors are understandably worried about a reversal of stock-market highs

Email Print 0 Comments Order Reprints

By ROBIN GOLDWYN BLUMENTHAL

September 25, 2017



Getty Images

With stock markets again reaching new highs last week, investors are understandably worried about a reversal. Strategist and publisher Michael Belkin has a portfolio for those who are looking for the exits.

"We're in a crazy bubble based on central banks' quantitative easing," says Belkin, publisher of the Belkin Report, an institutional newsletter on asset management that has its own proprietary investment model. The model's long-term forecast turned bearish at the 2000 and 2007 market tops and bullish at the 2002 and 2009 bottoms. He sees similarities in today's market, including fears about a recession, to the tech-driven bubble of 2000.

For instance, at the tech peak in March 2000, the Nasdaq Composite had gotten so high it was trading 83% above its 200-month average, a key comparative base for Belkin. The Nasdaq subsequently fell 78%, to its low, by October 2002. Using today's 200-month average of 2,908 for the Nasdaq, the index is trading at a premium of 55% and thus vulnerable to a 50%-plus drop, he says.

As a result, the former Salomon Brothers proprietary trader, who works from Bainbridge Island, Wash., is expecting a big rotation out of tech and into more-defensive, inexpensive stocks such as utilities or energy companies with good dividend yields; miners; and Asian indexes that could outperform weak U.S. and European markets. In particular, Belkin likes energy shares that have been hard hit by the drop in crude-oil prices. Treasury bonds are another safe possibility. He'd also go short some tech favorites and financial stocks whose prices have already broken below their 200-month moving average and could be headed lower still.




The U.S. business cycle is now 99 months old, the third-longest since 1902, and has been

## Most Popular

1. Gene Therapy Is Nearing a Major Breakthrough
2. Dow 1,000,000
3. Oracle Turns Its Sights on the Cloud—at Last
4. The Natural Evolution of Artificial Intelligence
5. Bitcoin ETFs on the Horizon

SEE FULL LIST

## Latest Market Videos

1. The Greta Garbo of Private Banking 
2. Kohl's Turns to Amazon: Desperate or Smart? 
3. Why Netflix Doesn't Need Hot Shows to Keep Growing 

artificially prolonged by negative real interest rates and quantitative easing. Auto-sales growth peaked in December and retail-sales growth, in January. "When consumption drops, production follows, hitting corporate earnings and leading to a recession," he says.

The table below has some of the recommendations that Belkin provided *Barron's*.

### STOCK APOCALYPSE PORTFOLIO

A selection of long and short plays suggested by Michael Belkin to protect investors in a correction.

Company / Ticker	Recent Price	Comment
<b>LONG</b>		
Chevron / CVX	\$116.47	Cheap defensive stock with 4% yield
CSOP SZSE ChiNext ETF / 3147.HK	HK\$8.10	Beneficiary of China's \$1 trillion infrastructure spending; alternative to U.S., Europe
iPath S&P 500 VIX ST Futures ETN / VXX	\$40.96	Heavily shorted, could jump if volatility rises
Newmont Mining / NEM	37.43	Gold in a bull market and negatively correlated to S&P
Pan American Silver / PAAS	17.19	Silver prices will top gold; small investible universe
Real Estate Select Sector SPDR / XLRE	32.39	Also cheap; would benefit from "risk-off"
Utilities Select Sector SPDR / XLU	53.67	Cheap; could gain as investors get defensive
Verizon Communications / VZ	48.94	Inexpensive with 4.8% yield; less risky than tech
<b>SHORT</b>		
Alphabet Class C / GOOG	\$932.45	Overowned FANG vulnerable to heavy selling
Charles Schwab / SCHW	42.08	Financials rolling over; broke below 200-day average
Citrix Systems / CTXS	76.28	Busted momentum stock; below 200-day average
Ericsson / ERIC	5.68	Never revived after 2007 crash; in long-term liquidation
Nvidia / NVDA	180.76	Another vulnerable tech darling

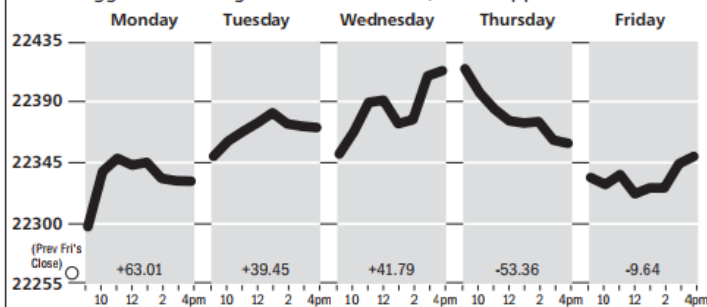
Source: Bloomberg

[\(To see a larger version of the chart, click here\)](#)

(See Trader, "A Boring Week for Stocks.")

#### FIVE-DAY DOW COMPOSITE

**Dow Defies the Bad News:** The Dow rose 0.4% despite the U.S. and North Korea trading nuclear barbs and the Fed starting to reel in more of its aggressive easing. Verizon rose 4.3%, while Apple fell 5%.



Email: [editors@barrons.com](mailto:editors@barrons.com)

Follow [@robinatbarrons](#)

Email    Print    0 Comments    Order Reprints   



[Return to Top](#)

- Customer Service
- Create an Account
- About Barrons.com
- Also From Barron's
- Tools & Services
- Customer Center
- Subscribe to Barron's
- Advertising
- Conferences
- Mobile Site
- Contact Us
- Magazine Subscribers: Activate Your Digital Access
- Masthead
- Reprints
- Email Newsletters