



Advisor Confidence Rebounds in June

By [Donna Mitchell](#)

July 6, 2010

In June, advisors were more confident about longer-term prospects for the U.S. economy and the stock market, according to Rydex SGI AdvisorBenchmarking.

The Advisor Confidence Index, released last week, rose 3% to 104.29 in June. Three of four components in the index improved last month. The six-month economic outlook rose 5.37%; the 12-month outlook increased 2%; and the stock market outlook rose 6.41%. The current economic outlook, however, dropped 1.12%.

Rydex also compared its June result with that of the Conference Board Consumer Confidence Index, which extended its upward climb that began in February. It stood at 63 in May, up from 58 in April.

Fixed-income markets in the United States will not repeat scenarios from 2008 and 2009, when rates softened significantly after Lehman Brothers collapsed. This time around, investors are afraid European banks are so interconnected that one country's default could destabilize Europe's banking system.

International markets are down more than 20%, and many bond investors had dumped their holdings in April and May fearing the worst. But investors have begun buying up the debt again, especially corporate, high-yield, and emerging market debt, said Kenny Landgraf, founder of Kenjol Capital Management, based in Austin, Texas. He also said that he sees buying opportunities for those willing to take on some risk.

"Investors are fearing an all-out replay of 2008-2009," he said. "There are problems, but we will get through them."

Still, several concerns are keeping advisors from being wholeheartedly bullish, specifically potential deflation as a result of the European debt crisis, high unemployment in the U.S., which is still at 9.7% and investors' sluggishness in the wake of the oil spill in the Gulf of Mexico.

"The jobless situation coupled with the European debt crisis means there is no recovery," said Ken Graves, a managing partner and principal of Capital Research Advisors, an independent research firm in Alpharetta, Ga. "People who don't work don't have money to spend and with the cutbacks being made across whole countries in Europe, whole societies are saying they have less money to spend."