



Get risk-on into year end: Mainstay advisor

By Bruno J. Navarro
07 November 2014 (excerpt)

Stocks are set to roar higher through the end of the year, David Kudla of Mainstay Capital Management said Friday.

"People were looking for a 10 percent correction," he said. "What we got in October, that's all we're going to get, and now it's time to be invested..."

The S&P 500 and the Dow Jones Industrial Average saw some of their largest selloffs in October but have since recovered to hit new highs.

On CNBC's "Halftime Report," Kudla said it was time to "add the beta trades through the end of the year."

Kudla, who oversees \$1.9 billion in assets as CEO and chief investment strategist at Mainstay Capital Management, has been named by *Barron's* as one of the Top 100 Independent Financial Advisors.

Citing a positive U.S. jobs report and other economic data, Kudla said the outlook was upbeat.

"I'm not going to say the stars are perfectly aligned but we just think we're in a good setup to go forward," he said. ...

... "For higher-beta trades, we like technology," he said. "And we also like small caps through here." ...

... "When we look at relative P/E ratios over a 15-year average, value is actually overvalued now," he said. "Growth is undervalued compared to 15-year averages. So, the value is in growth right now."

Kudla was also positive on small-cap stocks.

"We had a six-month period where small-cap stocks did get their 10 percent correction—and more. And coming off this Oct. 15 low, we've seen the Russell 2000 rally more than 10 percent through yesterday," he said. "And we just think that there's an opportunity here with the strong dollar that small companies that drive more of their revenue here domestically an opportunity for small caps to outperform."

Biotech plays, Biogen Idec and the iShares NASDAQ Biotechnology Index, were also among his top picks.

"We've had what's typically, traditionally been a defensive industry just become more of a growth industry, because of what's happening—pharma, medical devices, those areas," Kudla added.

The energy sector, which has experience a drop in crude oil prices to four-year lows, wasn't in play for Kudla.

"It's not that I don't like energy," he said. "It's that I don't know where the floor is in the price of oil."

When energy stocks disconnect from the price of oil, Kudla added, that's "where the buying opportunity is."

"There will be a time when it will be a screaming buy," he said.



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