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TIPTOE INTO THE MARKET

The stock market has had some gains lately, but would-be investors should proceed with caution and a great deal of research as economic indicators continue to flag, causing volatility.

BY ANDREW MENACHEM
Special to The Miami Herald

For the past two months, stock prices have been rising in the United States and around the world. The S&P 500 index rose 4.9 percent in April and recently reached a five-month high.

Around the world results have been even better: Stock indexes in emerging markets like Russia, China, India and Brazil gained 8.1 percent last month.

The main reason investors are adding more stocks to their portfolios is that there are signs the U.S. credit market problems — caused by the subprime lending crisis — may finally be waning.

That would be good news for banks, investment firms and other financial companies whose shares have been battered in the past 18 months.

INTERNATIONAL

Other investors believe that the odds of a U.S. recession may be lessening, and corporate profits in general may strengthen in the second half of the year, especially for companies with a large presence in international markets.

Does this mean it's a good time for South Florida investors to buy stocks? Not necessarily — and certainly not without carefully researching each company.

While the optimists believe the worst is over, the U.S. economy is still facing several problems: Home prices are declining and sales remain flat in most major markets, including South Florida.

On the other hand, inflation is still a threat, especially since gas and food prices continue to rise.

The continuing loss of jobs in Florida and across the nation is another sign that the U.S. economy has not yet returned to normal, and actual job growth may not occur until 2009.

Recent corporate earnings reports have fallen slightly below analysts' expectations.

Slowing revenue growth and higher commodity prices means that trend could continue through the year.

Investors considering the U.S. stock market should proceed with caution.

It seems likely that these economic trends may create a volatile investing climate for the balance of 2008.

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