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## **Growth stocks will take off, Calamos says**

## By Bruce Kelly

Allocating for growth stocks and keeping a close eye on bond durations are prime considerations for noted investor John Calamos, chief executive of Calamos Asset Management Inc.

The behavior of the stock market is disturbing to investors, he said last Thursday at the fall meeting in Omaha, Neb., of Peak Advisor Alliance, a coaching and support organization for financial advisers.

"Clients and shareholders are depressed," Mr. Calamos told advisers. "But with the market bouncing off new highs, why does it feel so bad? It's a really strange market rally that we're having."

Mr. Calamos added: "We all have to remember that volatility creates opportunities."

Despite investors' pessimism, equities are the most attractive asset class at this time, he said.

"We're in a slow-growth environment; we're not in a recession. What we're seeing is increasing earnings, so the [price-earnings ratios] have actually come down,"Mr. Calamos said.

## **GROWTH IS UNDERVALUED**

"What typically happens in a recession period like the one we've been through is that the market doesn't tend to look out for earnings more than a quarter," he said.



**John Calamos** 

In a short-term environment, "growth equities are not valued very well because the market is fearful of" the future, Mr. Calamos said.

In a rising market, however, those cheap stocks will shine. Not surprisingly, his firm is overweight growth equities in its asset allocation.

In such a market, bondholders need to be wary, Mr. Calamos said.

"The equity markets have priced in increasing interest rates. And people sitting in bonds think they're in a safe haven but could get crushed pretty easily if we had a sharp rate increase," Mr. Calamos said.

"The worst-performing asset class during the 1970s was bonds, and that's where people were hiding" because of falling values of stocks at the time, he said.

"The inflation-reflation play is something we really need to think about in our asset allocation," Mr. Calamos said.

Investors should look for investment-grade bonds with very short durations, he said.

Meanwhile, he said his outlook on global investing is positive, in large part due to the rising middle class in emerging-markets countries.

Calamos Asset Management managed \$33.4 billion in assets at the end of June.

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