Math tells you to buy stocks right now: Strategist

Annie Pei
Wednesday, 21 Sep 2016 | 4:16 PM ET

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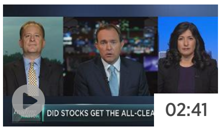

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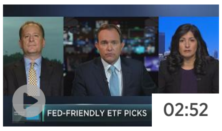

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With the Fed leaving short-term interest rates as they are for September, it's time for investors to buy stocks.

So believes "Crossing Wall Street" blog editor Eddy Elfenbein, who argues that at this moment in time, it's much more advantageous for investors to buy rather than to take a more cautious stance.

"Look at a stock like Microsoft, which just raised its dividend this week [to] 2.7 percent, and compare that to what you're getting with a one-year Treasury, 0.6 percent," he said Wednesday on CNBC's "Trading Nation." "When the Fed keeps rates so low, compared to what you're getting in the stock market, it's such a better deal."

"It really comes down to the math, and I think that really favors stocks right now," added Elfenbein.

The SPDR S&P 500 ETF (SPY) offers a dividend yield of more than 2 percent, meaningfully above that of the 10-year Treasury yield at 1.7 percent. While the latter return is more or less guaranteed while the former could drop drastically, it remains the case that investors tend to require higher yields in stocks than in bonds, since stocks tend to offer capital appreciation in addition to fixed payouts.

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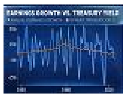

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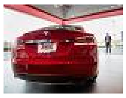

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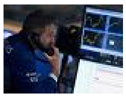

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The tech sector will continue to see big gains, according to trader Todd Gordon, who is making a bet on Google.

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The Federal Reserve ended a highly anticipated meeting on Wednesday by leaving interest rates unchanged. Bond yields dropped as a result, while stocks rallied more than 1 percent led by high-dividend sectors such as utilities.

But Chantico Global founder Gina Sanchez thinks that investors need to be very careful, especially in the next few months.

"I think that a December hike, if we have a 2016 hike, is going to be the most likely," she said. "But the market's not really pricing for that and quite frankly, if you look under the covers of the macro data, it's still a bit mixed and valuations are pretty high."

That, coupled with the impending presidential election in November, has Sanchez suggesting that investors "should really think about taking some profits." In Sanchez's view, investors shouldn't be looking to buy stocks unless they are sure the Fed won't raise rates in 2016 and even into 2017.

CME's FedWatch tool currently has the chance of a December rate hike sitting at almost 60 percent.

Annie Pei
Associate Producer

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Trading Nation will offer enthusiast traders insights from a group of "Trader Coaches," a collection of expert CNBC Contributors who are well-versed in the daily challenges of trading. Each "Trader Coach" will have a different area of expertise, and will share their unique perspective on the markets, allowing new insights to emerge from this collaboration. Trading Nation is not simply about finding that next trade; it's a forum where enthusiast traders can hear and compare investing ideas in order to build confidence in their trading decisions.

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2000-07-01 1.0872 0.9529
2000-10-01 1.0576 0.8798
2001-01-01 1.0111 0.9958
recession 2001-04-01 0.9494 1.0640
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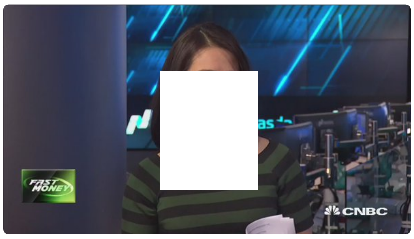

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