Where to invest in an uncertain market

By By Christina Rexrode June 14, 2013

NEW YORK (AP) — The investment landscape can be a scary place.

This year's stock market surge has stalled and the market is too choppy to provide any sort of reassurance. Savings accounts earn practically nothing. Bonds, a traditional haven, seem like a poor choice because interest rates are likely to go up. The stocks people invest in for safe, steady income, like utilities and health care, aren't as cheap as they used to be.

The Associated Press asked five experts where they're putting their money in these uncertain times. Their suggestions are opinions, and you should do your own research before making any decisions.

Anton Bayer, CEO of Up Capital Management in Granite Bay, Calif.

His idea: Floating-rate and shorter-term bonds

Pay attention, because this one is a little complicated.

The Federal Reserve has been buying $85 billion worth of government bonds each month to try to make long-term loans cheaper and stimulate the economy. As long as the Fed is propping up demand for bonds, the Treasury doesn't have to worry too much about enticing buyers and can pay out low interest rates on them. If the Fed pulls back on its bond-buying spree — something that Chairman Ben Bernanke has said could happen soon — then the interest rate on bonds will go up.

That's bad for people who already hold the Treasury bonds. Here's why: Most Treasury bonds pay out a fixed rate. If you own a 10-year Treasury note that pays 2 percent interest, and rates go up to 3 percent, you're still going to get paid 2 percent. That means you're missing out on investing in a higher-paying bond. It also means that the underlying value of your bond is going to go down: No one wants to buy a bond with a 2 percent yield in a 3 percent yield market. You can get all your money back if you wait until the bond matures, but that will take 10 years.

Bayer recommends floating-rate bonds, because the interest rates they pay change along with the Fed's interest rate. Be careful, though, because floating-rate bonds are often issued by riskier companies.

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Bayer also recommends fixed-rate bonds with shorter durations. If you own a bond paying a fixed interest rate, and then interest rates rise, it's better to be able to get your money back in one year instead of 10. Keep in mind that the shorter-term Treasury bonds will pay much lower rates: A 10-year Treasury note is paying about 2.1 percent. A one-year Treasury note is paying 0.1 percent.

Bayer says that investors who were used to the higher interest rates of previous decades will have to retool their investing strategies.

"That's the biggest mistake that investors are making right now," Bayer says. "What worked for the past decade is not going to work now."

Video: Rally on Peripheral Bonds Is Not Dead: Duret

Blake Howells, portfolio manager and analyst at Becker Capital Management in Portland, Ore.

His idea: Big-name tech companies, regional banks

Howells likes Microsoft and Apple, but not necessarily for their best-known products.

Video: Ruhle to Asness: Foul Bell on Sexist Quant Comment

He likes Microsoft not for the Windows operating system, which has garnered mixed reviews, but for the servers it sells "that make big companies and big data farms run." He likes Apple not for the iPhone and iPad — after all, the company's stock is down 19 percent this year and it's largely because people are worried that Apple can't keep churning out blockbuster gadgets — but because of the iOS operating system. He thinks it will help Apple keep customers who won't want to go through the hassle of switching all the information on their iPhones and iPads to another system. "That gives it a little bit more sticking power than a BlackBerry or a Nokia," Howells says.

He likes certain regional banks, like Pittsburgh-based PNC Financial Services Group and Minneapolis-based U.S. Bancorp, crediting their plain-vanilla businesses of making loans and accepting deposits. He says they're "in much better shape than they were at the start of the downturn," before the 2008 financial crisis. But he's iffy on the megabanks, even if some are selling at prices much lower than before the financial crisis.

"At the end of the day, we don't know what's in their trading books," Howells says. "And any time you have volatile markets, you can have some unpleasant surprises."