

Pullback? No surprise.

The fact that stocks have been retreating for the last week or so should come as no surprise. For one thing, the sugar high produced by the tax-cut related earnings gains seems to be wearing off. As this takes place, more experienced investors are realizing that this year's bottom line surge will be followed by a much more moderate rate of progress in 2019.

What's more, as the Fed continues to ratchet up interest rates, there's increasing reason to redeploy from already fully valued stocks into fixed-income securities, which are offering comparable yields and the probability of more stable prices.

With that said, however, a key news alert is that we're heading into earnings season, which will serve as a reminder that corporate profits are continuing to rise at a heady rate, at least partially offsetting concerns that what lies ahead will be filled with profit potholes. Such an outcome is not likely.

Even so, the month of October has historically been one of increased volatility and, more than a few times, when prices have slid in the early going, they have rebounded as we got closer to Halloween. So it's entirely possible that the weakness we're now observing will provide opportunities to make commitments in worthwhile issues at better prices than those seen only a month or so earlier. Over time, such commitments could be well rewarded.

At this juncture, however, it would make sense to steer in the direction of reduced risk, i.e., issues with consistent records of growth that have stood the test of time. Although there's little reason to be doubt the staying power of today's best known technology issues, it's also hard to forget that on occasion their stock market momentum has faded for a while as Wall Street realized that their valuations had been stretched too far.

That, in turn, suggests that market leadership may shift to the value side of the equity universe, those issues with low price-earnings ratios and high dividend yields. Companies that continue to move ahead, though perhaps operating in less exciting parts of the business world, may well draw increased interest. This seems probable.

Keep in mind that the fourth calendar quarter has historically been the strongest of the year for stocks and it's hard to rule out the possibility that there will be renewed strength ahead.