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Advisers: Be defensive

U.S. stock markets on Monday suffered their worst point drop since just after the terrorist attacks of Sept. 11, 2001. The Dow Jones industrial average lost 4.42 percent, and the Standard & Poor's 500 was off 4.71 percent. Here's what some Denver-area money managers said about the market, along with their advice. *Aldo Svaldi, The Denver Post*

Paul Dickey, INS Capital

Things are a lot worse than people thought. You have this deleveraging. In the absence of the ability to borrow, everything is worth less. Prices are going to go lower. This isn't about housing anymore.

You have to move to cash to protect principal. The only way to buy cheap assets is not with cheapened assets but with assets that have maintained their value. Cash is the single position to do that. Things aren't going to be able to rebound until the credit markets rebound.

Dominick Paoloni, Investment Protection Service

The only reason you would be down 20 percent with the market this year is if you weren't paying attention or your adviser wasn't paying attention.

Manage risk and not return. We have a lot of cash and a lot of short-term Treasurys. We do have equity. People felt we would get a bit of a run after Fannie and Freddie were rescued. That rally whipsawed on us.

Is AIG going to get $20 billion in funding, and will the Federal Reserve lower interest rates? As a money manager, I would have to tell you it will be a sleepless night for me. The game is: How do I lose less to win when the market turns?

Ben Warwick, Sovereign Wealth Management

Simple diversification can save your skin. The iShares Lehman 20+ Year Treasury Bond Fund, ticker TLT, was up 3.24 percent Monday. That made up for a lot of what happened in our equity holdings.

We are going to have a rate cut. You will see a global shift to lower rates worldwide. Global bonds are going to be much more attractive.

Sam Jones, All Season Financial Advisors

Remember that we are in a bear market and these environments are generally destructive affairs. Decisions that are made in a bear market should follow this pattern.

Defensive measures should be proactive, and aggressive purchases should be reactive. In other words, be quick about your sells (shorting, raising cash), and be very patient or cautious with your buys. Wait for a new uptrend before making any aggressive investments.

By almost all measures, the global equity markets are approaching a very attractive buy zone. Notice I said "global markets," not just the U.S. stock market. I am now beginning to see China, India and emerging markets as heavily discounted as well as the U.S. stock market.