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Nimble bear Grandich always goes by his gut

***Peter Grandich**, chief market strategist for **Affiliated Financial Management** in Howell, N.J., was among the few financial forecasters who moved clients out of the stock market before the crash of October 1987. He moved clients out of stocks again recently, before the markets began to sag on recession fears. He talked Monday with USA TODAY's **Ed Gregory**.*

Why are you so bearish?

I rely on the gut factor. In 1987, it was the simple belief that too many people were too optimistic and that fundamental and technical factors didn't warrant the high stock prices of the time.

Again, the alarms are going off: The budget deficit gets worse, earnings deteriorate, the economy slips into recession and inflation remains constant. But people were looking at the performance of the Dow Jones industrial average and hitting the snooze button. While they dozed, we moved into precious metals. We're happy. The Dow is down 250 points and gold is up 15%.

Has the market hit bottom, or is it in for another jolt?

The artillery has stopped for a while. You might stick your head out for a quick trade for the extreme short term, but we're still in the bunker. I think the market will be stuck in a trading range of Dow 2600 to 2800. Unless you are an aggressive trader, there won't be much room on the upside.

When will the shelling start again?

The next downleg will come from extreme disappointment about third-quarter earnings. Stocks of firms that had terrible second-quarter earnings were taken out and shot. I see the Dow in the low 2000s by October-November.

What do you recommend for an investment mix?

Less than 10% in stocks, 30% in precious metals and the rest spread among cash and high-grade bonds. We were buying long-term Treasury bonds in May when they at 9% and are waiting for the opportunity to do it again.

When was the last time you considered yourself bullish on the market?

The night of the crash in 1987. That was the last great buying opportunity. The time to buy is when there is a lot of fresh blood in the streets.

Do you see similar opportunities arising after the market's next big drop?

I don't think so. The economy was a lot stronger the day after the 1987 crash than it is now. You could see earnings growth. We might miss some opportunities. But we have a saying: "It's better to be a live chicken than a dead duck."