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Mazzilli: Relief In Sight For Stock ETF Investors

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Paul Mazzilli doesn't describe himself as overly bullish these days.

Still, the veteran Morgan Stanley exchange-traded funds analyst clearly isn't as bearish as many other market observers right now.

"Calling an absolute bottom isn't easy at this point," said Mazzilli. "But stocks are so oversold and there's so much cash on the sidelines, markets are due for a bounce at some point. This sure doesn't look like an ideal time to bail out of equities."

Morgan Stanley's team of ETF analysts and market strategists just put out its latest assessment of the industry. It's intended to drill down into specific ETFs as well as provide investors and advisors a forecast of prospects in the next three to nine months.

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How long it'll take for markets to recover is anyone's guess, he emphasizes. But here are a few trends Mazzilli says investors face in coming quarters:

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In terms of broad-based industries, Mazzilli and company believe Energy will rebound at some point. Mazzilli says long-term demand for oil production and services should continue to grow worldwide.

Sector ETFs in the energy space that he favors include: SPDR S&P Biotech ETF (NYSEArca: XBI); iShares DJ Oil Equipment & Services (NYSEArca: IEZ); ... and PowerShares WilderHill Clean Energy Portfolio (NYSEArca: PBW).