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We asked 4 financial experts what investors are under-appreciating the most right now. Here's what they had to say, from the biggest risks to the best opportunities — and what investors can do about them.

William Edwards

Narratives can catch fire and dictate what investors think about and how markets behave — ask Robert Shiller, the Nobel prize-winning economist whose most recent book was dedicated to the topic.

But other storylines can sometimes fail to get the same level of mainstream attention, or are looked at through the wrong lens.

In recent weeks, we asked four financial experts what they think investors are under-appreciating the most these days. Their answers ranged from risks that threaten to derail markets to opportunities that investors haven't caught onto yet.

But beyond identifying topics where investors are missing the mark, we also asked them how investors can best position themselves to take advantage of, or protect themselves from, the phenomena they don't think are getting the dues they deserve.

Their answers are compiled below.

Michael Cuggino, portfolio manager of the Permanent Portfolio Permanent (PRPFX) fund

Inflation certainly isn't an under-the-radar topic on Wall Street today. Amid massive stimulus, pent up consumer demand, and a promise from the Federal Reserve to let it run above 2%, inflation is on investors' minds.

And yet, according to Michael Cuggino, investors are still under-appreciating it.

He argues that this is because many investors haven't experienced meaningful inflation in their lifetimes. If inflation goes to a level like 5%, which Cuggino said it could, or runs hot for a few months, markets could go haywire, he said.

"You've got two generations of investors that have never really managed around a volatile interest rate environment, and/or an inflationary one. So there's a little bit of an X-factor in terms of what these investors will do if they're presented with high volatility in interest rates, and/or inflation data," Cuggino said.

He added: "Is it going to be like yelling fire in a movie theatre where all the bond investors struggle to get out the door at the same time because they're holding longer-duration bonds?"

Cuggino also said that inflation has a higher likelihood of taking hold in the months and years ahead than after the financial crisis because more stimulus has gone directly to small businesses and consumers this time.

There are multiple strategies investors can employ to hedge against inflation. Cuggino's recommendations include investing in precious metals like **gold** and **silver**; buying **Treasury Inflation-Protected Securities**, or TIPS; investing in **real estate**; buying **low-duration investment grade bonds**; or buying **floating-rate bonds**.

J.R. Gondeck, managing director at The Lerner Group

The Lerner Group

Related to inflation, commodity prices are on the rise. And for J.R. Gondeck, investors are under-appreciating the upside they still have.

Gondeck is bullish on commodities for the foreseeable future because of the gradual pace of economic recoveries around the world and concerted stimulus efforts.

"We're all trying to stimulate at the same time to create jobs and come out of the pandemic. Other parts of the world are much slower than the US and the China recovery, for example Europe. But as the vaccine takes effect in a bigger way in europe and other places, you're going to see in our view a lot of construction and just consuming those commodities," Gondeck said.

He continued: "A lot of the commodity stocks have done very well, but with the likelihood of that continued expansion collectively around the world and with the growing belief that we're going to see a $2 trillion infrastructure bill from the Biden administration, you're likely to see a lot of upside in the hard commodity stocks still."

Gondeck said he likes commodities stocks like **Freeport McMoran (FCX)** and **BHP Billiton (BHPLF)**, and of course the **commodities** themselves, like aluminum, copper, iron ore, steel, and lumber. Investors can gain exposure to commodities through a fund like the iShares S&P GSCI Commodity-Indexed Trust (GSG).

Savita Subramanian, head of US equity strategy at Bank of America

Bank of America

With Joe Biden in the White House and Democrats controlling both the House of the Representatives and the United States Senate, it is likely that a minimum wage increase occurs sometime in the months ahead.

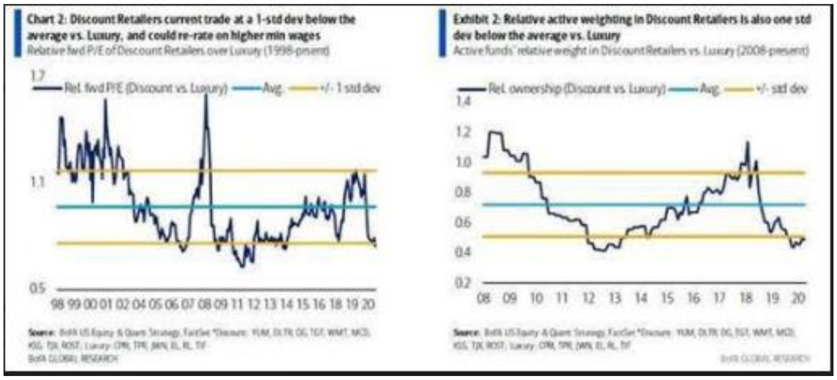
It is also likely that taxes on wealthier Americans increase. Biden has talked about hiking taxes on those making $400,000 a year or more.

According to Savita Subramanian, such policies are going to benefit **discount** and **low-price-point retailers**, and create headwinds for luxury retailers. But investors haven't yet priced this in, she said.

"When you look at positioning and valuation and of the higher income beneficiaries versus lower income beneficiaries, we're at a point where that skew is very similar to growth versus value," Subramanian said.

"You've got a lot of positioning risk in ones in the luxury or high-income set, and potentially some upside risk in the lower-income set where you're really going see policy focus on improving their economic health profile," she added.

Below are two charts from Bank of America that suggest upside potential in the near future for for discount retailers.



Bank of America

Those looking for broader exposure to discount retailers (consumer discretionary sector) might consider the First Trust Nasdaq Retail ETF (FTXD). Specific discount retailers captured in the chart above include Dollar Tree, Dollar General, and Ross Stores. Meanwhile, the Vanguard Consumer Staples Index Fund (VDC) offers exposure to low-to-medium price point retailers (consumer staples sector).

Jordan Kahn, CIO at Ascendant Capital Management

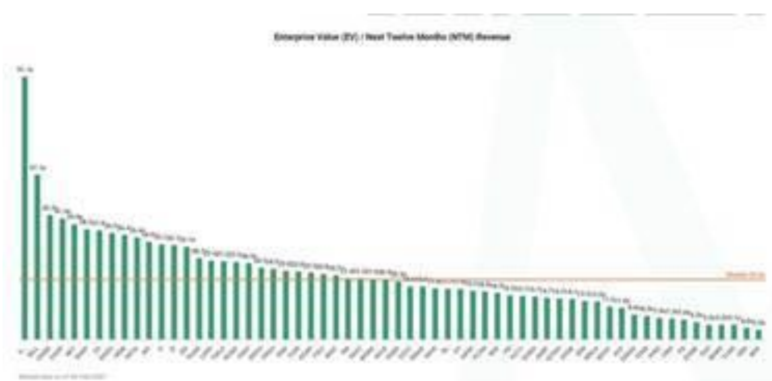
Investor sentiment is near extremes as stock market indexes sit close to all-time-highs.

For Jordan Kahn, investors — particularly newer ones — are under-appreciating the froth this has formed in certain sectors of the market and in certain "story stocks," where valuations are "incredibly egregious."

"A lot of these cloud stocks and the Snowflakes are trading at 30, 40, and 50 times sales. Not earnings, sales, which is almost unheard of, and I traded through the tech boom, so I've seen high valuations before," Kahn told Insider on March 10.

"But I think there's a theory out there that these companies are so great that they'll just grow into their valuations, and typically that's not what happens," he continued. "There'll be a downturn at some point and these stocks will just come down more than anyone expects, and they'll come down so much there will just have to be waves of mergers and consolidation."

He shared the chart below of cloud stocks' price multiples based on revenue over the next 12 months. Snowflake is on the far left.



He recommended investors learn to manage risk by using stop losses and limiting position sizes.