By JOHN KIMELMAN | MORE ARTICLES BY AUTHOR

With each passing week of gains on the major U.S. stock indexes, it's easy to understand why many remain optimistic about this market, notwithstanding Wednesday's drop.

But Doug Kass, president of Seabreeze Partners Management and an influential hedge-fund manager, doesn't like what he sees ahead.

"I am as bearish on stocks as I have been in some time," wrote Kass, in an article on the TheStreet Wednesday.

TheStreet

Doug Kass' Bearish View on Stocks

Kass, who had a short position on the SPDR S&P 500 ETF (ticker: SPY) at the time of the article's publication, argues that the "core of my concern is that a global economy built on a foundation of excessive monetary easing is one of low quality, decaying fundamentals and not likely to be effective or self-sustaining."

He adds that "the current disconnect between stock prices and the slowing pace of earnings growth" is reminiscent of the second half of 2007, the period in which stocks peaked before crashing hard under the weight of the mortgage meltdown.

"The difference between then and now is 2007's emerging weakness was centered in the financial sector," writes Kass. "By contrast, in late 2012 and expected in early 2013, the profit weakness is more broad-based."

The constraints of this column don't allow me to properly summarize the full scope of Kass' bearish argument. But the article is worth reading for its breadth.

In an article of his own, Jim Cramer, the CNBC pundit and founder of TheStreet, attempts to provide a rebuttal to Kass' bearish call.

TheStreet

Why Cramer Is Bullish

But the piece isn't a point-for-point counterargument. Instead it merely focuses on what many bulls have been snorting about lately: the optimism that is implied in the spate of companies being bought or taken private in recent days.

"Takeovers also demonstrate…that the smart money is buying, not selling, as I genuinely think that the people on the buy side are known to be smart to a person," writes Cramer. "If things were getting worse, they would be sellers, not buyers."

To be sure, increased merger and acquisition activity is generally viewed as a bullish sign for markets. But is it enough of an argument to suggest that it's all clear sailing for stocks? After all, even members of the smart-money crowd were buying stocks on the eve of the last big market crash of 2008.

Even if Kass' arguments pour cold water on the idea of loading up on stocks in general, a case can always be made for individual securities.

On that front, it's worth checking out an interesting piece by Morningstar that identifies 10 stocks worth considering because mutual-fund managers made significant purchases in the last quarter.

Morningstar

10 New-Money Purchases

"We define high-conviction purchases as instances where managers make meaningful additions to their existing holdings, or make significant new-money purchases in names that were not in their portfolio at the end of the previous quarter, with a focus on the impact these transactions have on the portfolio overall," the article states.

Among the names on the list: Devon Energy (DVN), Oracle (ORCL) and Apple (AAPL).

While it's always good to know what the professionals have been buying lately, bear in mind that it's been many weeks since these purchases were made. In that time, the featured stocks may have run up in value or even been sold by these same managers.

Apple, meanwhile, has been falling hard in this rallying market.

At its current price of about $450 a share, it's a buy for Jae Jun, a young value-oriented investor who made the bullish case for the stock in an article for Seeking Alpha. Indeed, he liked the stock when it was trading at $460 a share. The stock fell almost $11 in Wednesday's trading.

"Apple at the moment is a classic case of 'heads I win, tails I don't lose much,'" he writes. Among his arguments: "Current valuations predict AAPL has zero growth remaining."

Seeking Alpha

Apple Has Limited Downside

Finally, in an article for StreetAuthority, analyst David Sterman makes the case for food processor Archer Daniels Midland (ADM), a stock that Warren Buffett's Berkshire Hathaway (BRKA) bought a sizable stake in during the fourth quarter.

"Even after an impressive recent spurt, shares trade just above book value," writes Sterman. "In addition, Archer Daniels is slowly de-emphasizing ethanol production, which had consumed a huge amount of capital with only modest returns. The company is the industry's biggest ethanol producer, and if rivals also curtail production, then ethanol pricing will likely firm up."

E-mail: john.kimelman@barrons.com