NEW YORK -- A significant portion of Fortune 1000 companies are not ready for Y2K, which will cause a slowdown in productivity and spark a recession in the first two quarters, according to John Mauldin, editor of Year 2000 Alert Newsletter.

The rest of the world is in worse shape with their Y2K compliance goals and will be fixing a lot of computer glitches, Mauldin told CNBC in an interview Tuesday.

"We will sail through the first three or four days this year and then we will wake up and start finding this piece of software doesn't work, and that particular order is not coming from overseas," he said.

The slowdown will be enough to take the stock market into a negative growth rate, he added. Mauldin suggests investors get out of the stock market and look toward bonds. "In the average recession the stock market drops 45% to 50%, which is a pretty significant drop," Mauldin said. Mauldin also suggests investors jump back into the stock market once it bottoms out.

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