

Investment Forum Program for Wednesday, October 18, 2006 at 11:30

Perspective: It is usually unwise to attempt timing the market because, too often, our emotions override rational judgment. That said, with regard to individual stocks and sectors, it is vitally important to know when to leave the party if share prices outpace fundamentals on an unsustainable basis. (James Stewart writing in the current issue of SmartMoney opines that such a moment has arrived for REITs.) However, none of this conventional wisdom precludes occasionally pausing to assess the big picture. Currently, both stock and bond prices seem to reflect optimism that the Federal Reserve can rein in inflation without precipitating a recession; a triumph of hope over experience in the view of skeptics. Recent weakness in the commodity price of oil and cautiously optimistic pronouncements by the Fed regarding the overall economy have provided support for this outlook. Finally, Wall Street has shown little concern over a possible change in congressional leadership next year. Are there current concerns investors should be heeding in making investment decisions?

Follow-Up: Since last week's session, The Outlook newsletter published by Standard & Poor's has written of Abbott Laboratories (ABT) "The company has substantial growth opportunities in all of its business lines," the November issue of Kiplinger's has quoted the manager of the Jensen Portfolio (JENSX) as asserting that the fund aims to hold "high quality growth companies that have staying power regardless of economic conditions," Value Line has published a glowing report on General Electric (GE), and Morningstar.com has cited Wrigley (WWY) as a classic example of a stock that has been oversold on negative market psychology rather than fundamentals.

Investing for Income: Individual stocks or mutual funds? A case can be made for either approach, but a recent proliferation of exchange traded dividend funds broadens opportunities for income investors. Information on exchange traded dividend funds can be found at www.etfconnect.com. Some ticker symbols to investigate include DVY, SDY, PFM and DTN.

Stocks to Avoid: The first step to making money is to not lose money. The Motley Fool and Personal Finance both have strong opinions about specific stocks to avoid.