

Investment Forum Program for Wednesday, April 25 at 11:30

Perspective: Last Wednesday, *The Wall Street Journal* devoted a front-page article to perceived stock market excesses brought on by the popularity of private-equity company buyouts. Because of private equity buy-outs and corporate buy-backs, in each of the three past years more stock has been withdrawn from the market than has been issued. (Might stocks someday become collectibles?) The article closed with the following quotation: “It’s like the Internet bubble. It’s so obvious that it will end badly, but you don’t know when.” By Friday, the market was soaring and Larry Kudlow was off his meds again during his after-market CNBC broadcast. Kudlow kept referring to an esoteric index chart that only an economist could love which purportedly confirmed the bull market was intact and roaring. Later that evening, Elaine Garzarelli appeared on the PBS *Nightly Business Report* where she shared Kudlow’s bullishness and said “Definitely, best economy I’ve ever seen.”

Follow-Up: Recently Amgen (AMGN) was discussed at the forum. Last Friday, *The Wall Street Journal* carried an article entitled “Amgen’s Too-Clever Bets,” which described how “risky moves can backfire.” But, value investors seek opportunities in good companies that are experiencing temporary problems which cause their stock to fall out of favor. This may be the case with Amgen. The previous day, both *Morningstar* and *Standard & Poor’s* had strongly recommended Amgen for purchase and the stock has risen about 10% since it was a forum topic.

Strategies: In a newly released book, John Bogle has come out strongly against investing in exchange-traded funds. The essence of his argument is synopsisized in a *BusinessWeek* article entitled “What’s Wrong With ETFs?” The article can be read on the forum website at www.olligmu.org/~finforum/.

Sectors: Recently the opinion was expressed at the forum that the REIT sector is fully priced. The same concern might also include the utility sector. Meanwhile, other sectors beckon. The current edition of *Barron’s* features an article opining that the oil drilling sector is cheap. Two prominent mutual fund managers like the oil production sector long term, but believe it is dead money in the short term. Both *Standard & Poor’s* and Elaine Garzarelli are bullish on the pharma sector. Ms. Garzarelli even goes so far as to recommend investing in a pharmaceutical sector ETF.