

Investment Forum Program for Wednesday, October 31 at 11:30

Perspective: When the mortgage mess first became apparent, people who know about such things opined that it would generate losses comparable to the savings-and-loan scandals of the early 1990s. That sum was estimated to be about \$150B. Now, the latest reports have inflated the cost of the mortgage situation to be about \$400B—and rising. These are perilous times in financial markets. But, advice offered to investors abounds. Some is wise and helpful. Other advice from prominent sources seems to be distinctly unwise, at least for individual investors. The forum only traffics in wisdom and will endeavor to separate the two.

The Economy: *The Wall Street Journal* predicts that a year from now, we'll be looking back on the brief recession of 2007-2008 which was cushioned by a proactive Fed. If this insight proves to be prescient, and if the Fed reacts as anticipated, don't look for rising interest rates on C.D. rollovers anytime soon.

Strategies: Newsletter editor Douglas Jimerson made a regular appearance on the PBS *Nightly Business Report* on October 26. He is advising conservative investors among his newsletter subscribers to go to government bonds and cash, and wait for better opportunities in stocks. For his more venturesome readers, he is advising them to go to China, specifically to the Fidelity China Region Fund (FHKCX). Meanwhile, *Morningstar* has conducted an extensive analytical study based on mutual fund performance since 1927 and concluded that value investing is the most successful strategy over time. The *Morningstar* article and other topics of current interest can be read on the forum website at www.olligmu.org/~finforum/.

Follow the Money: The current issue of *Barron's* includes a wide-ranging interview with money manager Susan Byrne. Her preferred metric for rating the attractiveness of stocks is free cash flow. She currently finds it in abundance at Murphy Oil (MUR), Cisco (CSCO), Oracle (ORCL), Microsoft (MSFT) and Accenture (ACN).

Stock Talk: Time did not permit discussion of Citigroup (C) last week. That was fortuitous. New information provides a more balanced picture. The stock may, or may not, be worth considering at its current depressed price. Opinion is divided. Also, ubiquitous pedestrian Staples (SPLS) may have some overlooked virtues. Finally, *Kiplinger* reiterates a strong long-term buy recommendation on Medtronic (MDT) despite its recent product recall problems.

Anecdotal: Making money does not necessarily equate to having money. Luciano Pavarotti died \$26M in debt.