

Investment Forum Program for **Thursday, December 6 at 10:00**

Future Meeting Schedule

The next meeting of the forum will be on Thursday, December 13 at 10:00.

Perspective: Circa 1973, *Fortune* published a prescient article entitled “A Bad New Era for Common Stocks.” Subsequent events validated the article’s warning. Well, *Fortune* is at it again. A current article entitled “Recipe for a Meltdown” states, “Put simply, stocks are extremely expensive relative to the daunting risk of owning them. At current prices, earnings can’t possibly grow fast enough to give investors the fat returns they covet. There’s just one way for equities to get their luster back—their prices have to fall substantially so that investors can harvest attractive returns from the modest profit growth that’s in the cards. Stocks have an inescapable appointment with a withering fate.” The full text of the article can be read on the forum website at www.olligmu.org/~finforum/.

Guru Watch: In contrast to the deep pessimism expressed above, Elaine Garzarelli appeared on the PBS *Nightly Business Report* on November 30. She was bullish, as is her usual outlook. She recommends interest-sensitive stocks, consumer-related stocks and export stocks. However, she recommends playing these sectors via exchange-traded funds. This suggests she sees them as trading vehicles rather than long-term investments. Too bad she won’t be available to tell viewers when to sell.

Strategies: As a matter of principle, the forum discourages attempts at market timing. But, the current market invites such thoughts. If you are tempted, the December 1 issue of *The Wall Street Journal* offers some tactical insights.

To the Contrary: If an investor runs with the crowd, he or she risks overpaying for popular stocks. If an investor simply buys what’s unpopular and cheap, he or she risks buying damaged goods. The newsletter *Dow Theory Forecasts* (available in Fairfax County regional libraries) claims to have refined a methodology for safe passage between these two unattractive alternatives with its proprietary stock selection system which uses more than 100 metrics (brokerage analyst ratings not included). Questar (STR) provides an example. Also, *Morningstar* makes their contrarian bullish case for Citigroup (C).

Anecdotal: According to the current issue of *Barron’s*, “Corporate insiders are buying [their own stocks] at the highest rate any time in the past four years, when the SEC started requiring timely disclosure of insider buys and sales.”