

Investment Forum Program for Wednesday, April 16 at 11:30

Perspective: An argument can be made that many stocks have yet to recover from the bull market that ended in 2002. Such stocks continue to “revert to the mean” or undergo “P/E compression” to this day. A handout will be distributed to illustrate the point.

Full Disclosure: Last week’s session included two handouts from usually reliable sources (*Barron’s* and *Dow Theory Forecasts*) which expressed favorable sentiments toward utility stocks. However, the April issue of *Louis Rukeyser’s Wall Street* includes an interview with Sam Stovall, chief investment strategist at Standard & Poor’s Equity Research. He is quoted as follows with regard to utilities: “They’re probably my least favorite because valuations seem stretched. There are two that I do like: ONEOK (OKE) and Entergy (ETR).” Stovall is favorably disposed towards consumer stocks such as Altria (MO), Coca-Cola (KO), Estee Lauder (EL), and Procter & Gamble (PG), also the generic drug stock Teva Pharmaceutical (TEVA).

Fundamentals: Over the past five years, Corporate America has enjoyed a period of very strong health, as measured by cash generated, cash retained, and cash distributed to shareholders. In fact, the recent past has been so bountiful for the private sector that concerns are expressed over the possibility that such performance cannot be sustained, even without recession. The portion of national wealth flowing into corporate coffers cannot continue to grow indefinitely at the recent pace.

And the Dead Shall Rise: Citigroup (C), DuPont (DD), General Electric (GE), Novartis (NVS) and Walgreen (WAG)

Nobody’s Perfect: Forty-eight hours before General Electric dropped its earnings bombshell on Wall Street, *Kiplinger.com* posted this reassurance to investors: “A common bit of advice for investors in tumultuous times is to trust in the tried-and-true: Buy stocks like Procter & Gamble, GE, 3M, Johnson & Johnson, and McDonald’s. Such famous, well-respected companies have a global presence, good balance sheets and are highly unlikely to be ensnared in scandal or to report a humongous earnings miss.”

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