

Investment Forum Program for Wednesday, June 25 at 10:00

Perspective: Some of us are old enough to remember the movie *The Graduate* and may recall the scene with Dustin Hoffman involving the word “plastics.” Well, in today’s world, the word might be “infrastructure.” Emerging nations alone are expected to spend well over \$1 trillion on infrastructure this year. Longer term, anticipated infrastructure investments are gargantuan and include developed nations as well. However, for individual investors, contemplating such a large sector is akin to eating an elephant—where to begin? Regional funds? Natural resources? Industrial materials? Manufactured equipment? Services? And, what isn’t already fully priced for good news?

Triumph of Hope Over Experience: Variable annuities are back—in a big way. \$750 million is being invested in them every day, on average. Issuers promise cash income payments that keep coming no matter what happens to the market, and investors can get their money back on demand. It’s an irresistible offer for those traumatized by market volatility over the past decade. Full details are published in the July issue of *SmartMoney* magazine. One downside (other than high fees); very few buyers understand how these investments work. But, no U.S. variable annuity insurer has ever defaulted—yet.

Commodities: The forum will bravely attempt to explain the oil market. Will oil prices rise or fall? The answer is yes.

Stock Talk: *Barron’s* publishes a rare mea culpa on American International Group (AIG) and expresses regrets for their recent sanguine view of the company’s prospects. Their mistake was taking the company’s word at face value.

Potpourri: Longtime stock market observer Gail Dudack quoted in *The Wall Street Journal* questions whether the oil price rise isn’t eventually deflationary rather than inflationary because consumers are retrenching rather than chasing goods at higher prices. The June 23 issue of *BusinessWeek* published figures showing that, although the U.S. gross national savings rate remains well below that of other developed nations, U.S. investors continue to put new cash into mutual funds in near-record amounts. A guest on CNBC showed data suggesting that troughs in the consumer confidence survey numbers have historically proven to be buying opportunities for stocks. Finally, financial columnist Paul Lim writing in *The New York Times* notes the recent strength of small-cap stocks, usually a leading indicator of future market direction.

On the Website: Reading material on new topics is posted regularly at www.olligmu.org/~finforum/.