

Investment Forum Program for Wednesday, October 8 at 11:30

On One Hand: Among *non-financial* companies, as of the end of June, cash levels were at an all-time high, debt levels are historically low, and second quarter productivity rose at the fastest rate since 2004. Going into the current crisis, U.S. government debt was 60% of GDP—low by global standards. (In Japan it's 200% of GDP.) Declining commodity prices are akin to a stimulative tax cut. JPMorgan's acquisition of WaMu is a statement of confidence in the sustained strength and durability of consumer spending. Finally, U.S. households are sitting on a mountain of \$7.5 trillion in cash.

On the Other Hand: Where to begin? The worst credit crisis since the Great Depression. An end to arguments about whether the economy will experience a recession. A one-day stock market drop of historic magnitude. Political deadlock rapidly overtaken and reversed by events. And that's just for starters. Massive liquidation of stocks and a stampede to safety. Threats of municipal bankruptcies. Blue-chip giants unable to float commercial paper. Secretary Paulson on bended knee before Speaker Pelosi and GE on bended knee before Warren Buffett. You couldn't make this stuff up.

Safe Harbor Investments: U.S. Treasury securities (especially for investors who got in *before* the rush). Contrafunds. Despite volatility, gold bullion remains a store of value; it's up over 10% over the past 12 months and about even year-to-date. (Reported shortages of gold coins!) At least some stocks have continued to hold their value or even advance during this period of crisis.

Disappointing Investments: Most (but not all) stocks and bonds issued by financial companies. Many value-oriented mutual funds that were typically heavy in financials, including some that did notoriously well during the most recent bear markets. Broad index funds. Foreign stocks. Commodities. Real estate.

What Now: For starters, no one knows. (It's vital to know what you don't know.) Historically, times like the present have presented opportunities to buy stocks when sentiment is at rock bottom. But, which stocks? Only the forum knows; that's why you participate. If nothing else, most investors will have opportunities to share their losses with the tax collectors and cushion their tax burden.

On the Website: New articles which may be of interest to retired investors are posted regularly at www.olligmu.org/~finforum/.