

Investment Forum Program for Wednesday, April 1 at 11:30

Perspective: Recent weeks have seen the sharpest stock rally since 1938. Bulls and bears argue whether this marks the bottom of the bear market or whether it's a typical bear market rally which, historically, can be very dramatic as occurred on several occasions in the early 1930s. Only time will tell whether this rally is the real thing. Meanwhile, a recent *Newsweek* article by two academics argues that "The history of banking crises indicates this one may be far from over." The article is posted on the forum website.

On March 26, the *Financial Times* reported that "Retail investors flee to savings." During the first three months of this year, U.S. retail investors poured \$250B into bank accounts while redeeming \$20B from stock mutual funds. U.S. Treasury securities also experienced a surge of popularity. The last time such events occurred was 2002. And, there are reports of both individuals and hedge funds buying gold. The March 30 issue of *Barron's* quotes a Wall Street credit analyst at J.P. Morgan Chase who opines that "The high-grade bond benchmark index is pricing in a default rate of about 45% over the next decade. The worst 10-year default rate for high-grade debt since 1980 was 5%."

Finally, the March 16 issue of the *Dow Theory Forecasts* newsletter (available in Fairfax County regional libraries) offers the following advice. "Don't waste your time trying to predict what the economy will do. And don't assume anyone's estimates will prove accurate. Rather than try to 'play' the recovery—a strategy that only works if you correctly guess both the timing of the recovery and the industries that will take the lead—count on the market to rally before the economy pulls completely out of recession. Build an all-weather portfolio and trust in the combination of a forward-looking market and quality stocks to help you take advantage of the recovery."

Member Contribution: A member wishes to discuss a special situation stock that he has been following for some time.

Group Discussion: The subject of strategies will be opened for discussion. All are invited to participate. It will be an open-ended discussion and may spill over into next week's session if that is the will of the group.

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