

Investment Forum Program for Wednesday, April 29 at 11:30

Perspective: *Morningstar.com* recently posted an article entitled “In Investing, I Don’t Know Can Be the Right Answer.” Truthfully, much of the investment profession is based on people claiming to know the unknowable (see last discussion topic below). They may base their recommendations on fundamental analysis of available information, or sophisticated algorithms, or chart reading methodology, or information not publicly available, or long experience, or self-interest, or simply hunches. But, in the end, a great many people earn a good living professing to know the unknowable. In fact, without such people, the investing newsletter industry, the financial publishing industry and CNBC would probably struggle to exist. Yet, there is something in the human psyche that feeds this fundamentally irrational interdependence between “the experts” and those who are drawn to their pronouncements.

Over There: A concern of economists and government officials is that as bad as things are here, they’re worse in Europe, especially so in debt-burdened Eastern Europe, and in Japan where exports have plunged. The U.K. is teetering on real deflation. France is experiencing social unrest. Spain has 17% unemployment. But, Germany is reluctant to stimulate for fear of inflation. Recoveries abroad are likely to lag the U.S. Global diversification has not proven to be an effective strategy for investors.

Stock Talk: American Express (AXP) and Philip Morris International (PM)

Ahead of the Curve: New energy technologies are all the rage these days. Which are practical and which represent wishful thinking? In a recent article, *The Washington Post* observed that soy-based biodiesel requires 300 times as much land area to produce a given amount of energy as do nuclear power plants. This is a measure of *energy density*, a parameter that will gain significance as alternative energy becomes a serious topic in public policy discussions. Separately, University of Minnesota researchers estimate that it takes 1,000 gallons of water to produce one gallon of corn ethanol. Also, the current issue of *Fortune* magazine has a great deal to say about electric cars. Building cars is a highly developed technology. Building advanced technology batteries for mass-produced electric cars remains a formidable challenge and the U.S. lags in global competition for the race to market.

He Said It: “Now is a great time to be an individual investor. Many people don’t realize that dating back to the 1940’s, the US economy has been in a recession only five percent of the time. Now is one of those rare opportunities to buy. Remember volatility is not the risk; bad management and bad balance sheets are the risk. Follow individual stocks. Try to identify companies with strong balance sheets, resilient customer demand and ample free cash flow; those are companies that will thrive after recovery.” Jeff Auxier of Auxier Asset Management, as quoted in the May issue of *Louis Rukeyser’s Wall Street*.