# Investment Forum Program for Wednesday, July 8 at 11:30

***Perspective:*** On July 1 *Fortune.com* posted an article entitled "Wanted: Duller times for stocks." The thesis of the commentary is that, although bonds are priced for a severe recession, stocks appear to be priced for a return to normal economic times. Stocks need to pause and allow the economy to catch up with the expectations already priced in. If stocks continue to race ahead as they did in the second quarter, it could produce another asset bubble—and we know how those end. Concurrently, the current issue of *Forbes* sees stocks as fully priced and corporate bonds more attractively priced—in both instances from a historical perspective based on broad averages. As always, stocks are best viewed individually and no doubt there are exceptions to those generalizations. Notwithstanding the above, Professor Jeremy Siegel still views stocks favorably for the long term—no surprise there.

***Inflation Watch:*** On July 2 *The Wall Street Journal* published a short commentary entitled "Inflation Fear? Not in This Job Market." Since World War II, inflation has occurred on a sustained basis only when the unemployment rate fell below 5%. Today, the unemployment rate is nearly twice that and is the highest in 25 years. The "core" inflation rate is currently about 2% and there are no visible pressures to drive it higher.

***About Those Employment Numbers:*** Economists are fond of reminding us that employment data are a lagging indicator. Looking back on the last two recessions, job creation lagged the end of economic downturn by two years. For those who are attempting to time stock investments, signs of rising employment are the wrong signal to look for.

***Methodologies:*** The world of investors is divided into three camps. Fundamentalists read numbers; technicians plot numbers; and "quants" crunch numbers. *Standard & Poor's* employs all three approaches and in the July 1 issue of *The Outlook* it showcases its quant (i.e., quantitative analysis) power. Two articles are devoted to the subject, starting with the world as seen through the prism of algorithms and including two lengthy lists of stocks that S&P's computer jocks like.

***Reality Check:*** The current issue of *Fortune* touts a list of "the 40 best stocks to retire on." Aside from what value such lists may or may not offer (the forum has a resident expert on such matters), realistically, does an aging segment of the investing public really want to monitor that many stocks decade after decade as it slowly slips into the sunset? Wouldn't a few well chosen funds serve better?