

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

Future Meeting Schedule

This will be final meeting of the OLLI Summer Program. OLLI will be closed for the first two weeks of August. The forum will resume meeting on August 19 and 26 at 10:00.

Perspective: The Index of Leading Indicators appears to be signaling that the end of the recession is near—perhaps in August or September. Unfortunately, mere recognition of such an economic turning point, however significant, provides no useful guide as to the strength of the recovery that may follow. Meanwhile, a one-day buying panic of historic proportions occurred on Wall Street perhaps in recognition that 75% of the companies in the S&P 500 Index exceeded second-quarter profit expectations.

Strategies: Forget individual stocks. Forget sectors. Think markets. Professor Burton Malkiel won a recent *Morningstar* investment competition by buying China and India market funds. The July 27 issue of *BusinessWeek* estimates that the second-quarter annualized GDP growth rate in China was nearly 15%. But, wherever an investor chooses to focus, success lies in timing and valuation.

Reality Check: On July 22, Thomas James, CEO of Raymond James Financial, was interviewed by Larry Kudlow on CNBC. Kudlow asked if Raymond James clients were showing a preference for stocks or bonds. James replied bonds. Kudlow asked if clients were favoring low-cost exchange-traded bond funds. James acknowledged that to be the preference, but also managed to put in a plug for expensive managed funds sold through brokers. Caveat emptor: Exchange-traded bond funds hold unmanaged indexed portfolios, the contents of which deserve scrutiny.

Annuities: After much well deserved criticism of variable annuities as investments for retirees comes a kind word for them. The July 22 issue of *The Wall Street Journal* featured an article entitled “Long Derided, This Investment Now Looks Wise.” The subtitle read “Thanks to Guarantees, Variable Annuities Paid Even When Stocks Didn’t”

Anecdotal: One of the most profitable investments in U.S. history was the Minesota copper mine located in Rockland, Michigan, the accidental misspelling of which became formalized. During the Civil War era, the rich lode paid a small group of lucky investors \$1.8M in cash dividends; a magnificent sum back then.