

Investment Forum Program for Wednesday, September 23 at 11:45

Welcome to New Members

New members are invited to visit the forum website at
www.olligmu.org/~finforum/.

Perspective: Stock market “permabear” James Grant, editor of *Grant’s Interest Rate Observer*, is the author of a long opinion article entitled “From Bear To Bull” published in the September 19 edition of *The Wall Street Journal*. In reversing his long-held signature dour perspective, Grant starts by admitting that he cannot predict the future. Instead, he attempts to infer what history is telling us about this market and opines that it is an opportunity to be seized. Meanwhile, former fellow permabear Charles Almon is reported to have exited all stocks except a handful of tobacco and gold shares.

Bonds: On September 18, *MarketWatch.com* published a regular column by Mark Hulbert entitled “Irrational exuberance in the bond market?” Since the March market lows, more than 95% of new cash lured into mutual funds has gone into bond funds. Hulbert cites a 2007 academic study published in the *Journal of Banking and Finance* which included the following statement: “Poor market timing decisions are the rule rather than the exception among mutual fund investors. They typically invest lots of new money in funds after the market has gone way up, and pull money out after it has gone way down.” Hulbert concludes: “This is why it’s not good news for bonds that mutual fund investors are allocating almost all their new money to the bond market.”

Strategies: One of the most difficult things for retired investors to deal with is conflicting advice. On September 17, *Morningstar.com* published an article entitled “A Conservative Model Portfolio for Retirees.” It recommended a 70% bond/ 30% stock and commodity portfolio consisting of the following mutual funds with differing allocations as shown: HABDX (25%), HARRX (22%), PRWBX (12%), HACMX (6%), DODGX (5%), DGAGX (5%), HAINX (5%), LSBRX (5%), RYTRX (5%), VFIIIX (5%), and VTSMX (5%). Whatever virtue this strategy may have, it conflicts with nearly everything stated above and requires constant tinkering to maintain such fined-tuned allocations.

Additional Topics: Our cup runneth over with new discussion topics, as time permits.