

Investment Forum Program for Wednesday, April 21 at 11:45

Perspectives: Some good news, some good news that may actually be bad news, and some worrisome news: First, the good news. The much discussed (and much cussed) financial “bailout” is actually a highly complex array of different initiatives. But, taken together, *The Wall Street Journal* reported on April 12 that “The government’s rescue of wobbly companies and financial markets is starting to look far less expensive or long-lasting than once feared.” However, the flip side of this revelation is that the beneficiaries of this success may end up proving to be larger, stronger and bolder than ever anticipated. (It could be the law of unintended consequences at work—again.) Finally, on a different tack, recent stock market internals are worrisome. Volume on Wall Street is light and what action takes place is largely focused on a narrow list of issues traded by machine. Individual investors remain scarce. And, adding to that, Mark Hulbert reported in a *MarketWatch.com* column on April 14 that insider selling has recently risen sharply after a long period of buying. Insider sentiment is an imprecise forecasting metric for stock prices, but this switch in behavior is a matter of concern because, historically, over the decades insiders tend to be right more than they have been wrong.

Strategies: Given the above, and given the magnitude of the stock market’s recent rise, it is not unreasonable to consider taking some profits on stocks that appear to be fully valued and may have more downside risk than upside potential. But, it is often the case that sell decisions are more difficult to execute skillfully than buy decisions. So, are there helpful strategies for making wise sell decisions? Is Dominion Resources (D) a sell candidate? Or, some appreciated bond funds?

Currencies: According to an article published online by *Barron’s* on April 14, the dollar may be set to resume its decline. In recent months, the U.S. Dollar Index gained 10%. However, an examination of what constitutes the index reveals that it is heavily weighted towards the euro and the dollar’s strength may, in fact, largely have been a manifestation of euro weakness (Greece and other such unpleasantness). The dollar has not shown similar gains against other currencies that are currently strong. Should the dollar resume its decline, it could result in higher prices for gold, oil and a broad range of commodities. If that scenario were to occur, Philip Morris International (PM) would be a potential beneficiary. It is a U.S. company that pays a 4.4% dividend. Smoking remains popular overseas.

Bonds: Build America Bonds (BABs) are a newly-introduced class of municipal bonds subject to federal taxation. They are subsidized by the federal government, but not guaranteed by the federal government. Many BABs have long maturities of 20 to 30 years. Their credit ratings vary from Triple-A to just above junk. Some issuers are financially troubled state governments. Two mutual funds have been created for BABs: Eaton Vance Build America Bonds Fund (EBABX) and PowerShares Build America Bond Portfolio ETF (BAB).