

Investment Forum Program for Wednesday, May 19 at 10:00

Meeting Schedule

During the interim until the Summer Program begins on June 14, the Investment Forum will meet on May 19, May 26 and June 2 at 10:00.

Perspective: Mark Hulbert, in a regular *MarketWatch.com* column on May 12, writes “Though 10% drops like that of May 6 are rare, their average frequency over long periods of time is quite predictable.” Academic research has shown that both U.S. and foreign stock markets have experienced such big drops, on average, about every six years over the past 80 years. There is little that government regulators can do to prevent these events. Markets are dominated by large investors. When they decide in unison to get out of stocks, markets will plunge. Individual investors are best served by recognizing that big price drops are unavoidable and thus design their financial strategies to cope with them.

Strategies: Also on May 12, *Morningstar.com* featured an article entitled “Stop-Loss Orders: A False Sense of Security.” The article states “One type of trade that we vehemently avoid more than any other is known as a ‘stop-loss’ order. “ The article goes on to opine “If you have such little confidence in your investment, you probably should not own it, in the first place.” This advice comes a little late for those who were whipsawed by stop-loss orders during the “flash crash” on May 6.

Member Request: One member would appreciate hearing a group discussion on where to find good professional investment advice and how to go about effectively organizing and managing an investment portfolio without having to devote a significant portion of one’s life to the task—and maintaining peace of mind.

Overbought: A recent article appearing on *BusinessWeek.com* argued that gold is experiencing a buying frenzy and, over the long term, has proven to be no safe haven. But, that does not deter fearful investors who wish to invest in tangible assets.

Oversold: The same fear that drives investor into gold drives them out of stocks. The familiar psychology is on display again; stock prices are down, so it’s time to sell. This has the potential to create oversold situations which attract contrarian investors. Perhaps the ultimate contrarian play these days is BP (BP). On May 14, *The Wall Street Journal* published a short piece on the case for BP. But, investors need not fish in such troubled waters (literally) to find sound companies whose stocks are out of favor and selling for moderate valuations. This is especially the case for some U.K. and European multi-national blue chips. Oil, pharma, telecom and tobacco provide dividend-paying candidates for investigation. They could include Total (TOT), Novartis (NVS), Vodafone (VOD), and Philip Morris International (PM), plus others.