Investment Forum Program for Wednesday, July 7 at 11:45

Perspective: Last Wednesday, Sam Stovall of S&P appeared on the PBS *Nightly Business Report* and, speaking from the perspective of a market historian, offered a rather bearish outlook at least for the foreseeable. A few days earlier, Laszlo Birinyi speaking as a market historian was interviewed by *Barron's.com* and offered a very bullish outlook. That's what makes markets.

Guru Watch: Bond guru Bill Gross writes a lengthy monthly commentary posted on www.pimco.com. He and his colleagues at Pimco foresee what they have termed the New Normal. It will be a prolonged period of slow economic growth resulting from deleveraging, reregulation, deglobalization and demographics. In their estimation, it will result in low-single-digit long-term returns on both bonds and stocks. This suggests very little reward for risk. In a more immediate timeframe, *Bloomberg Businessweek.com* posted an article entitled "Investing: Sizing Up the Second Half." The most salient point it made was that expanding federal regulatory authority and a host of bad news headlines that permeate the public conscientiousness are undermining confidence to take on risk. Mark Hulbert writing in a regular column on *MarketWatch.com* argues that stocks are, at best, fully valued or even overvalued. *Value Line* echoes a similar sentiment. *Dow Theory Forecasts* places itself in the "bearish camp." Dan Weiner, who advises *Morningstar* investors, is a notable bullish exception. Finally, *Morningstar.com* recently posted an article entitled "Take [fund] Managers Gloomy Forecasts With a Grain of Salt." It explained the motivations of fund managers to sound gloomy while continuing to invest in ways that demonstrate more optimism than they express. Meanwhile, investors vote with their feet. *SmartMoney.com* reports that, during May, investors withdrew more money from all types of mutual funds than was added for the first time since March 2009.

Current Yields: If returns going forward may be meager, then current yield gains importance. The 10-year Treasury note now yields less the 3%. *Barron's.com* reports that some professional Fed watchers believe the yield on the 10-year note could fall below 2% and the yield on the 30-year Treasury bond could fall well below 3%. With this in mind, current yields on various exchange-traded income funds are illustrated as follows: JPMorgan Alerian MLP Index (AMJ) 5.75%, Vanguard Intermediate-Term Bond (BIV) 4.1%, Barclays High Yield Bond (JNK) 11.4%, iShares Investment Grade Corporate Bond (LQD) 5.15%, SPDR S&P Dividend (SDY) 3.7%, Vanguard REIT Index (VNQ) 3.95%, and Utilities Select Sector SPDR (XLU) 4.45%.

For What it May be Worth: Only four stocks are rated as buys for growth and income by *Morningstar*, *Value Line* and *S&P*: Abbott Labs (ABT), Johnson & Johnson (JNJ), Medtronic (MDT), and 3M (MMM).

Member Contributions: Two members have information to share with the group.