

Investment Forum Program for Wednesday, July 14 at 11:45

Perspective: Two economic reports dated July 7 offer cautious optimism. The International Monetary Fund now projects the global economic growth rate for 2010 to be 4.6%, a bit higher than was estimated in April. This report acknowledges global problems that are daily headline news, but anticipates that they won't derail economic recovery. Meanwhile, *The Wall Street Journal* published a short article entitled "Double-Dip Fear Overdone." It was based upon a report from the Economic Cycle Research Institute which stated that most indicators point to continued global growth. The article acknowledged prospects for slow growth in the U.S. (2.6% for 2010) and that stocks are in the process of pricing in such a scenario after benefiting from last year's stimulus jolt. Citing other sources, *Barron's* opined on July 9 that "Earnings are set to grow through the second half." As a consequence, by some measures stocks are at their cheapest since 1985.

Bonds: Investors researching bond funds are presented with such information as average portfolio quality and average maturity. These metrics are self-evident. However, average "duration" is a bit more esoteric. AI will offer a brief tutorial on bond duration. Separately, the July 12 issue of *Barron's* has a feature article on bonds that may be of interest many individual investors.

Gold: In the August issue of *Kiplinger's Personal Finance*, James Glassman writes "Gold is not just an obsession, it is a mystery." It trades on fear, not fundamentals. But, that said, it may have a lustrous future because of demand from growing wealth in parts of the world where ownership of gold is a deeply engrained cultural custom.

Cash: In a commentary dated July 8, *Bloomberg BusinessWeek* noted that "Hedge funds, investors and corporations are sitting on piles of money." In fact, trillions of dollars. The article goes on to opine that we could be on the threshold of the richest period for dividend-paying stocks since the early 1980s. Even ever-dour James Grant advocates buying big-cap stocks that "throw off tons of cash" and yield more than Treasury securities. As an added incentive, it was recently commented upon on Bloomberg TV that initial public offering (IPO) activity is at a very low level and between stock buy-backs and corporate take-overs, the market float of available shares is diminishing.

Stock Talk: Turning again to the August issue of *Kiplinger's Personal Finance*, it includes an article entitled "15 Stock Picks from Top Mutual-fund Managers." Some of the stocks featured are not household names, but a few familiar stocks are included: International Business Machines (IBM), American Express (AXP), and Baxter International (BAX). For the more venturesome, there are two out-of-favor offshore drilling service stocks included in the list: Tidewater (TDW) and Noble (NE).