

Investment Forum Program for Wednesday, November 3 at 11:45

Perspective: So, who's right? Gurus Jeremy Grantham and Bill Gross, who manage other people's money amounting to hundreds of billions of dollars, share their views with readers at great length on a regular basis through the miracle of the Internet. Both are very critical of the Fed's "Quantitative Easing." Grantham finds qualified favor in blue-chip stocks and Gross promises salvation to Pimco fixed-income investors. Meanwhile, market historian Sam Stovall quoted on the *Kiplinger.com* website sees nothing good in political gridlock. In contrast, *Bloomberg BusinessWeek.com* argues that "Stocks and Bonds Are Bullish on the Economy." The months ahead should be interesting and perhaps even profitable. Even the bears acknowledge that Fed easing should be beneficial for bond holders in the short run and, if investors begin to lose their aversion to stocks in search of greater returns than offered by bonds, to equity investors as well.

Strategies: The October 29 edition of *The Wall Street Journal* opines that the U.S. economy is likely to continue muddling along with slow growth sustained by low interest rates and accompanied by occasional quarterly setbacks, while avoiding another recession anytime soon. This sentiment is echoed by *Kiplinger*. In other words what you see is what you get. Despite shrill warnings of impending doom, this scenario is rather benign for stocks (especially for companies that benefit from faster growth abroad) and for bonds. So, where does this insight direct our investment prospects?

Exchange-Traded Funds: ETFs are probably the most popular stock investment vehicles in the current market with Vanguard aggressively becoming a leader player, yet they have received minimal attention at the forum. (Caveat: Popularity does not necessarily assure the best investments.) Individual investors may wish to consider ETFs for at least three investment goals: (1) Participation in broad markets, either domestically or internationally, (2) access to specific market sectors or (3) dividend income from a diverse basket of stocks. The October 18 edition of *Dow Theory Forecasts* offers a selection of nine ETFs for income. The pros and cons of this approach to investing are worth discussing.

Dirty Little Secret: There is much talk emanating from official Washington about U.S. households virtuously "deleveraging" (i.e., paying off debt). However, based upon data compiled by the Federal Reserve, most of that debt reduction has come about through default rather than payment. A great many people have walked away from mortgage debt and credit card debt over the past few years.