

Investment Forum Program for Wednesday, April 13 at 11:45

OLLI Spring Break

OLLI will be closed next week. The next meeting of the Forum will be on April 27 at 11:45. And, the following week, May 4, the Forum will host a speaker from TAIL-CREF. TAIL-CREF is a financial services organization for qualified members in selected professions, including teachers.

Perspective: The Federal Reserve has been engaging in what it terms “quantitative easing.” This is a polite term for printing money to help stimulate the economy, and especially to reduce unemployment. It does so by buying U.S. Treasury securities and thus supply liquidity to financial markets. The second round of this activity has been dubbed “QE2.” QE2 is scheduled to end in June. The approach of this sea change in the financial marketplace is taking on the ominous dread that was characterized by Y2K a decade ago. The *Financial Times* published an article on this phenomenon on April 2. The subtitle read “Investors are split over how markets will react when the Fed’s programme of quantitative easing draws to a close.” It may mark the end of the current bull market in stocks and provide a buying opportunity for bonds—or not.

Strategies: Some sources of investment advice mentioned at the Forum urge investors to hold individual stocks rather than mutual funds. Select them after careful research, buy them with discretion at favorable valuations, and hold them for the long term through bull markets and bear markets. But, this strategy does not fit the impulses of all investors. The April 11 edition of *Forbes* carried an article entitled “The Golden Age of Trading.” The subtitle read “These days retirees are joining an active trading world long dominated by the young.” Like all aspects of investing, it comes down to a matter of personality. Some retirees find active trading stimulating and profitable. Others who need to supplement their incomes might do better to take a job at Wal-Mart.

Stock Talk: Picking up on the topic of strategies, an old Wall Street adage urges investors to “buy on bad news and sell on good news.” If there is any truth to this philosophy, investors might wish to investigate Johnson & Johnson (JNJ). The company is the subject of a lengthy cover story in the April 4-10 issue of *Bloomberg BusinessWeek*. The story details more than 50 recalls of J&J products in 15 months, including artificial hip implants and popular over-the-counter medications. Separately, J&J has been fined by the SEC for bribing doctors to use their products. The speaker from the *Motley Fool* last week listed “people” as the first criterion in stock selection. The problem at J&J is a people problem. It can be fixed—if the company’s board of directors has the will to act.

Website: Items of possible interest to Forum members are posted regularly on the website at www.olligme.org/~finforum/.