

Investment Forum for August 17, 2011 at 10:00AM

Future Meeting Schedule

The Forum will meet from August 17 until September 14 at 10AM. The Fall term will start September 21, back to the 11:45AM time.

The (Three) Weeks that (Were): Did anything happen in the markets during the weeks that we did not meet? The usual August doldrums?

Five trading sessions out of six with more than 400 point moves in the Dow. Certainly the most extreme volatility I can remember. Can we breathe yet? The take away is simple. For the sake of the World's economies and the financial health of investors across the globe, the Forum needs to meet continuously!

I want to devote a big part of the 8/17 session to your views on what happened, and what has fundamentally changed (if anything) and whether your investment objectives and strategies have changed.

And if you believe that the last three weeks have been calm in the markets, welcome back from your vacation on Pluto!

What to do with Cash: Bob Springer will discuss various ways to park or hold cash, alternatives to money markets and bank deposits, that are safe and give a few extra basis points of yield. Bob will also follow up on PRPFX, the defensive mutual fund (The Permanent Portfolio) and how it performed during "The Great Convulsion." (The Great Convulsion is Tom's term for the market in the past few weeks.)

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Searching for Yield: For fans of dividend paying equities, it is a target-rich environment. The dividend yield of the S&P 500 is 2.25%, beating the yield on the ten-year Treasury bond. The 214 best yielding stocks in the S&P are paying 3.7%. Of course, some of those good yield numbers are from the “denominator effect” of the market downturn over the past few weeks.

Johnson and Johnson (JNJ): This company has been trashed at Forum sessions, for its pharmaceutical manufacturing missteps, product recalls, and apparent management indifference. But JNJ has a record of 47 straight years of dividend increases, a 3.7% dividend yield, and a Triple A credit rating, which now beats the USA. I say give JNJ some respect!

Blue-light Special: Banks. Just a few weeks ago, pundits were saying Bank of America (BAC) was a buy at \$12. Now it is \$7.19. Cheap enough? BAC’s market value is 57% of tangible book value, which is supposed to approximate liquidation value, and 4.9 times next year’s earnings. Citicorp (C) trades at 75% of book value, and JP Morgan and Wells also trade below book value.

Reckless Endangerment: I will give a brief review of this book, which talks about Fannie Mae and Freddie Mac and the credit rating agencies, and their role in the economic crisis.

Forum Planning Session: A planning session will be held after the 8/24 meeting to discuss topics for the Fall semester, and a survey that we will take of Forum members.

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