

INVESTMENT FORUM: PROGRAM FOR SEPTEMBER 7, 2011, 10:00AM

Future Meeting Schedule

The Forum will meet Wednesdays at 10:00AM until September 14. The fall term will start on Wednesday, September 21, at 11:45AM.

The Week that Was. Once again, the week was volatile, up nicely through Wednesday, and then ending with a thud, driven by poor jobs numbers. Double dip? Or will it be like last year, when a September rally began that pretty much ran through this past July? Of course, that rally had QE2 behind it. Not so this year.

This week's *Barron's* featured 15 market prognosticators, forecasted the S&P at 1,300 by year end, or up 11% from today. The predictions ranged from 1,100 to 1,450.

All eyes will be on the President's speech on Thursday, about jobs creation. Does anybody believe that the President and Congress can agree on any actions? Does that mean that we are, once again, depending on the Fed to fix the economy and jobs? Does the Fed have enough ammo?

Chart of the Week and Economic Indicators. Maury Cralle show us a Chart of the Week on the general economy, and Gloria Loew will discuss a current key economic indicator, important to investors.

Searching for Yield: Preferred Stocks and High Yield Bonds. Last week's program compared yields on three preferred stock ETFs, and three High Yield (Junk) Bond ETFs. We did not discuss those at the Forum session; several have asked that we do a follow up discussion.

I will show a Big Charts comparison of the price performance of the preferred stock ETFs against the S&P, and of the High Yield Bond ETFs against the S&P, over one, two, and three year time horizons. Then preferreds and high yields together against the S&P. If that does not get you head spinning . . .

CenturyLink (CTL:) The nation's third largest telecom is known for its services to rural areas and for paying a whopping dividend of 8.5%. Tom will discuss CTL and what risks you have to accept to get that yield.

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Books on the Crash. I have read eight of them. They are not light reading, and most require some knowledge about financial markets and instruments. All cover the subprime/banking meltdown, but from different perspectives. Some are from the perspective of one firm, or a particular strategy, or one person. Others take a broader view. Of those I have read:

The Quants. (Patterson) About the math geniuses who developed the trading programs that fueled much of the speculation in mortgage securities.

The Big Short. (Lewis, author of Liars Poker) About the few who saw the real estate and subprime bubbles and profited from it.

More Money than God. (Mallaby) About hedge funds and their role in the crash.

All the Devils are Here. (McLean and Nocera) This goes back a number of years to look at various policies, laws, regulations, and financial products that contributed to the crash.

Colossal Failure of Common Sense. (McDonald) About Lehman Brothers, from the vantage point of a Lehman bond trader.

Too Big to Fail. (Sorkin) An overview of the crash, written by a New York Times financial reporter.

On the Brink. (Paulson) Also an overview, written by and from the vantage point of the Secretary of Treasury.

Chasing Goldman Sachs. (McGhee) About . . . Goldman Sachs!

Reckless Endangerment. (Morgenson and Rosner) Focuses on Fannie, Freddie, and Countrywide, and the CEOs of those companies.

Guaranteed to Fail. (Acharya, Richardson, Nieuwerburgh and White) I have yet to read this book, which is written by scholars. Focuses on the mortgage finance system.

All are more readable than you would expect, considering the subject matter. My top three recommendations: Too Big to Fail, On the Brink, and Reckless Endangerment.

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