

INVESTMENT FORUM: PROGRAM FOR SEPTEMBER 14, 2011

10:00AM

Future Meeting Schedule

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 . . .” That was the first sentence I wrote last week, referring to the market performance two weeks ago. Is this Groundhog Day? Two weeks ago the thud came from jobs numbers. Last week it was the slow-motion train wreck of Europe and Greek debt. Haven’t we been worrying about Greek debt for over a year?

Now we must consider the Fed doing the “twist,” (selling short term Treasuries and buying ten and thirty year Treasuries) which should lower long term rates and flatten the yield curve. (Banks, already under pressure, will not like that.) And the Fed is pondering other moves to rev things up and lower unemployment. Another question I asked last week remains unanswered. Does the Fed have enough ammo to make a difference?

And the always relevant question. Was anything in the past week “actionable?” Has it made you do something with your portfolio or allocations?

Economic Indicators. Gloria Loew will discuss current economic indicator, important to investors and especially technical investors.

Searching for Yield: Corporate Earnings. One constant over the past 2 1/2 years has been strong corporate earnings and increasing stock dividends. Michael Darda, quoted in *Barrons*, believes the “golden age” of strong earnings is over, and that that estimates of earnings for the S&P in 2012 are overstated by 25% to 30%. Mr. Darda believes that the S&P will bottom at 970 to 1030, from its close at 1154 on Friday. He also cites increasing spreads on junk bonds over Treasuries to buttress his pessimism.

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. Tom will also discuss the telecom sector, which includes AT&T and Verizon.

Trivia Question. How many times has the S&P crossed 1200 (up or down) since it first reached that level in late 1998? Answer: 42 times.

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Tax Reminder. For those of you who file quarterly estimated payments, the third quarter payment is due September 15.

Follow-Up: Preferred stocks tax treatment. In our discussion of preferred stock ETFs last week, a question was asked whether dividends are qualified dividends and taxed at 15%, rather than taxed as ordinary income. The answer is complicated. Some preferred stock pays qualified dividends, some do not. And there are required holding periods around dividend payments for an investor to claim them as qualified dividends. It appears that most (about 2/3) preferred stock dividends are not qualified dividends. (Note: if this question is important to you, please get expert advice!)

Follow-up: Mortgage REITS. Those who own MREITS are well advised to follow discussions about a program to encourage mortgage borrowers to refinance their mortgages (including Fannie and Freddie guaranteed) at 4%. If that happens, there could be a surge in prepayments of higher yielding mortgages owned by MREITS, replacing them with newer, lower yielding mortgages. This will compress the spreads earned by the MREITS.

Searching for investors in International Equities and Bonds. Any Forum members who have experience (good or bad) in international investments, including funds and currencies, and who is willing to share those experiences, please let me know.

Investment Forum Fall session. 58 people signed up for the Fall session, and ten were wait-listed, including some long time Forum members. The Forum was assigned TA-2. OLLI is trying to give us a bigger classroom (likely TA-3) so we can include the ten wait listed people.

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