

INVESTMENT FORUM: PROGRAM FOR SEPTEMBER 21, 2011

11:45AM

Future Meeting Schedule

The fall term will start on Wednesday, September 21, at 11:45AM, in TA-3.

We have 58 people signed up for the Fall session, including 5 new members (rookies) and 53 returning veterans. Welcome to our new members! And our old timers - a relative term at OLLI.

The Week that Was. The S&P was up 5.4% for the week, and up all five trading sessions. Certainly a strong performance for the week. Why the move up? Greek debt remains on the verge of default, and the European Central Bank is still trying to contain it. European banks are reeling. The U S jobs numbers show no sign of improving, and consumer confidence is in the tank. And Washington remains gridlocked and appears unable to take any kind of action to deal with the weak economy.

The S&P remains 11% below the 1353 level in July, and 12% below the 1364 high reached in April.

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 indicators, important to investors and especially technical investors.

Greek Debt.

Greek debt = subprime loans

One or more European banks = Lehman Brothers

Oh no! Relevant question: Will the ECB do some version of a TARP that will be as successful as the US TARP pulling their banking system back from the abyss?

Mutual Funds. Managers of mutual funds and investors in mutual funds have been on different paths. While individuals who buy mutual funds have been bearish on stocks and pulling money out of equity funds, mutual fund managers have been bullish and buying stocks. Tom will discuss this and its implications for mutual fund investors.

Searching for Yield: Non-US Investments. There is another world of overseas' investments, some of which have attractive yields. Of course, they introduce a set of risks not present in US investments. Non-US investments have not received much attention at the Forum over the years. Overseas exposure can be achieved both by foreign-based companies, and US companies with significant overseas operations.

PID, (Powershares International Dividend Achievers) and DWX (SPDR S&P International Dividend) are ETFs investing in large cap non-US equities that pay good dividends. They appear similar to SDY and DVY, ETFs that invest in US stocks paying good dividends, and have been mentioned frequently at the Forum. PID has a yield of

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3.82% and DWX has a yield of 5.52%. DVY is yielding 3.53% and SDY is yielding 3.36%.

Prices of PID and DWX outperformed DVY over the past three years, but have underperformed DVY over the past year.

Canada's economy has performed better than the US in recent years, and there are some attractive Canadian stocks.

I am still looking for Forum members who have experience with foreign investments (equities, bonds, currencies) and who are willing to share their knowledge.

Mortgage Interest Rates. Mortgages are available at incredibly low rates. A 5/1 ARM (fixed rate for five years, then becomes a one year ARM) is available at 2.75%, zero points. Besides refinancing opportunities, homeowners without mortgages could profit from a spread if they take out a mortgage and invest the proceeds and earn better than 2.75% for five years. And if the investment was in stocks paying qualified dividends, they would deduct interest on the mortgage at max tax, and pay interest on dividends at 15%.

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