

INVESTMENT FORUM AGENDA FOR JANUARY 11, 2012, 10:00AM

The Forum will meet on January 18 at 10:00AM. The Forum will meet at 11:45AM beginning January 25 during the Winter session.

Program

The Week that Was. The first trading day of 2012 was great, giving some of it back the rest of the week. But all in all, a good start for the year. The usual worries remain about Europe and the Euro and European debt and whether China is slowing. But now we are seeing more consistent evidence that the U.S. economy is strengthening: jobs and consumer confidence and, dare I say it . . . housing? Will corporate profits remain strong in the fourth quarter? We shall soon see. Time to be more bullish on U. S. companies, and less so on international and emerging markets?

Maury's Chart of the Week.

Member presentations. As I write this (Saturday) I do not expect to be at the Forum session (jury duty, unless delayed.) We will have member presentations on miscellaneous topics. Gloria will also present key market technical indicators.

My discussion of the yield curve will have to wait. Future fixed income topics will include bond prices, yields, duration (again) and a comparison of holding individual bonds with bond funds.

Food for Thought

Dogs of the DOW. The Dogs, a frequent Forum topic, are the ten companies paying the highest dividends in the 30 member Dow Jones Industrial Average. For 2012, the Dogs gained 12.83% in value, in addition to paying dividends ranging from 3.16% to 5.85%. The other 20 members of the DJIA (the non-Dogs) had a price decline of 3.81%, and paid dividends ranging from zero to 3.06%.

The Dogs as of year end 2011 were: AT&T (T), Verizon (VZ), Pfizer (PFE), Merck (MRK), Kraft Foods (KFT), Johnson & Johnson (JNJ), Intel (INTC), Du Pont (DD), McDonalds (MCD), and Chevron (CVX).

The Dogs now would include General Electric (GE) and Procter and Gamble (PG), replacing McDonalds and Chevron.

The steady drumbeat of opinion favoring dividend paying stocks has been unmistakable. Is there a price bubble in dividend stocks?

Forecasts for 2012. The 12/19 Barrons had market predictions from ten financial gurus. Their Year End 2012 S&P predictions averaged 1360, or 8.2% higher than Year End 2011 level of 1257. The range was 1238 to 1450. This same survey for 2011 (take December 2010 predicted a Year End 2011 level of 1373.

Bill Gross on fixed income in 2012. Bill Gross' Investment Outlook 2012 says 2012 will be "paranormal" in fixed income. Does anybody know what "paranormal" is? This term follows "abnormal," "subnormal," and "new normal," - other terms he has used for the bond market in the past year. I have read his letter several times, and cannot decipher it, but its tone is negative. Gross, of course, made clear but the spectacularly wrong call on Treasury bond prices in early 2011, reflected in the PIMCOTotal Return Funds poor performance for 2011.

Al Smuzynski asmuzynski@verizon.net