

**INVESTMENT FORUM AGENDA FOR
WEDNESDAY, OCTOBER 17, 2012, 11:45AM**

The Forum will meet at 11:45AM through November 14, in TA-1

The Week That Was. Down week, with DOW down 2.1%; S&P down 2.2%, and NASDAQ down 2.9%. Mostly because of fears that third quarter corporate profits will disappoint. Recall that corporate profits have been growing for more than three years, and most public companies have been beating their earnings' forecasts. Despite sluggish economic growth. A profit slowdown is overdue.

The DJIA. An observation on the Dow Jones Industrial Average. Why does anybody still pay attention to the DOW? Other than it has been around since 1896. It is mostly . . . industrials! But things are now made in China and India and Mexico. The DOW includes Home Depot, Caterpillar, 3M, Hewlett Packard and Travelers. Companies we have heard of that have been around a long time, but should they be included in 30 companies that show the movement of the overall stock market?. The DOW is missing Apple (most valuable company on the planet,) Google, and Amazon. Ditch the DOW!

Precious Metals. Bob Springer will talk about gold and precious metals.

Utilities. I will look at some of the big utilities: Dominion (D), American Electric Power (AEP), PPL Corp (PPL), and a foreigner, National Grid (NGG.)

Follow-Up on Sectors. In our Sector discussion last week, we discussed nine SPDR Sector ETFs. I noted that telecom stocks are included in the XLK, the SPDR Technology Sector ETF. Most financial publications show ten sectors, with telecom being a separate sector. In addition to the ten sectors, there are 83 subsectors within the ten sectors, that one or more ETFs have been created. Bottom line: if you want to invest in sectors, there are many mutual funds and ETFs to scratch your itch.

A question was asked about whether any ETFs use "sector rotation" - changing mix of stocks in sectors according to whether the sector is likely to perform. I located one such ETF, SSAM. This ETF is new (launched 1/2012) and has only \$1.3 million in assets. It is not going to survive. Another sector rotation ETF (XRO, launched in 2006) has already been closed.

Follow-up on Beta. Last week, I showed the "Beta" of the Sector ETFs. My schedule showed the XLU (SPDR Utility Sector ETF) at -0.87 (minus 0.87.) The correct Beta for XLU is 0.82, as of 10/12/2012. My Beta numbers were all taken from the website, etfdb.com. That website is very useful as an ETF screening and data source. It has an excellent quantity of information. However, the quality of the information is suspect. I have noted Incorrect or not current data several times, but it is usually corrected quickly. Bottom line: verify data from etfdb.com if you are going to make an investment decision based on it. For that matter, verifying "actionable" data is a always a good idea!

Beta and what it is. Beta is a measure of the volatility of the price of an investment, measured against the S&P 500. How much the investment's price moves up or down. The Beta of the S&P 500 is 1.0. The price of an investment with a Beta of 0.5 can be expected to move up or down, one-half as much as the movement in price of the S&P 500. Lower Beta = lower price volatility. If the S&P moves up 10%, the investment with a Beta of 0.5 will likely go up 5%. Investments with Beta over 1.0 have price movements (up or down) bigger than the S&P 500. An investment with a negative beta moves opposite the movement of the S&P 500. If the S&P goes up 10%, then an investment with a Beta of -0.5 will likely move down 5%. Most investments with negative Beta are inverse funds.

Fixed income investments and "conservative" stocks and sectors and dividend-paying stocks tend to have lower Betas. The utility, consumer staples, and healthcare sectors have Betas under 1.0. Most retirees are looking for lower Beta.

Forum Member Buys and Sells

Buys

Kinder Morgan Management LLC (KMP) - limited partner in KMR, the MLP
Apple (AAPL) - 2 buys

Sells

LSI Corp (LSI) - semiconductors
Central Securities Corp (CET) - a Closed End Fund

Thinking About . . .

Costco (COST)
Yahoo (YHOO)
General Electric (GE)
Monsanto (MON)
Home Depot (HD)
Preferred Stock ETF

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