

## Investment Forum Program for Wednesday, February 20 at 10:00

**Perspective:** It has been widely reported that insider buying is at record high levels. Now several other facts have recently emerged. Merrill Lynch reports that mutual fund managers are now more risk averse than at any time in the past seven years and 41% of managers surveyed by Merrill Lynch are overweight cash and buying bonds. Goldman Sachs reports that contrary to popular belief, short interest is low and decreasing. In fact, short interest across all major market sectors is near a 10-year low. Even unloved financial stocks are seeing a reduction in short positions. Finally, *Morningstar* has conducted a bottom-up stock-by-stock analysis of the Dow Jones Industrial Average using long-term cash flow methodology and concludes that the index is significantly undervalued. This suggests that the exchange-traded Diamonds Trust (DIA) which tracks the Dow Jones Industrial Average could be a profitable investment for those with time horizons of three-to-five years.

**Follow-Up:** *Kiplinger.com* admonishes investors “Don’t shoot down Lockheed Martin” (LMT).

**Strategies:** Now that the dollar has been falling against major foreign currencies for several years and may be showing signs of at least a short-term bottoming, individual investors are being encouraged to make pure-play bets on the trend continuing by investing in foreign currency bond funds and other speculative vehicles. Caveat emptor: Former Federal Reserve Vice Chairman and Princeton University economics professor Alan Blinder has admitted that he cannot forecast currency fluctuations with an adequate degree of consistent accuracy.

**Taxes:** The February 11 issue of *Barron’s* carries a feature article which argues that regardless of whether a Republican or a Democrat wins the White House taxes are headed higher, maybe much higher. The article lays out details of the tax proposals being put forth by each of the four remaining candidates. The era of tax cutting appears to have ended. The forum will attempt to approach the subject from an investment strategy perspective and leave politics at the door.

**Stock Talk:** Why Big Oil isn’t so big anymore. Meanwhile, Warren Buffett continues to buy stocks. A recent SEC report reveals that he has started a major position in Kraft Foods (KFT) and a more modest position in GlaxoSmithKline (GSK), while adding to existing positions in Wells Fargo (WFG) and U.S. Bancorp (USB).

**On the Website:** Reading material on new topics is posted regularly at [www.olligmu.org/~finforum/](http://www.olligmu.org/~finforum/).