Investment Forum Program for Wednesday, July 16 at 10:00

Perspective: During the irrational tech/telecom boom a decade ago, stocks ceased to trade on valuations on the upside because of euphoria. Now, some commentators have expressed the view that stocks have ceased trading on valuations on the downside because of panic driven by multiple uncertainties in financial markets, in housing markets, in commodities and among consumers.

Potpourri: *Business Week* magazine's senior economist opines that the economy is simply too weak to mount a 1970s-style inflation surge. Mark Hulbert reports once again that insiders continue to be strong buyers of their own stocks. Buffett-watchers take heart in his continued expressions of long-term confidence in the economy and financial markets. Chesapeake Energy is the latest in a string of E&P companies reporting write-offs on efforts to hedge production in a volatile commodity market that confounds many players.

Stock Talk: Emerson Electric (EMR) and Genuine Parts (GPC) have both managed to raise their dividends annually for more than four decades. Both are currently selling at P/E valuations below their historic averages.

Mutual Funds: Many (but not all) value funds have performed very poorly this year mainly because they were overweight in financials and/or housing and they missed out on commodities which are viewed by value investors as momentum plays. Shun value funds or buy on weakness?

Discounting Uncertainty: The stock market is said to be a "discounting mechanism." Valuations of stocks facing known uncertainties are more heavily discounted than those perceived to be facing "blue skies." But, how much discounting is enough? At a recent quote under 18, Pfizer sells for a single digit P/E and just a little over two times sales. It has nearly $7 per share in cash and very little debt. On July 11, *The Wall Street Journal* reported that GE is selling for less than the sum of its many parts. Finally, Big Oil (Exxon Mobil, Chevron and ConocoPhillips) are each selling at or near single digit P/E valuations and enjoy lavish free cash flow. Each appears to be discounting an anticipated drop in the commodity price of crude oil. Not only are these stocks cheap, but they can be bought at a 15% discount to net asset value through the closed-end fund Petroleum and Resources (PEO).

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