

Investment Forum Program for Wednesday, October 15 at 11:30

Timing the Market: Technicians have their charts and “quants” have their algorithms. But, individual investors also have a valuable timing signal. The next time a mutual fund you own announces that it is closing to new investors because it cannot handle the inflows of cash it’s receiving—sell.

Human Frailty: It won’t be known with certainty until the history of recent days is documented what role automated program selling and forced hedge fund liquidation played in the market meltdown, but it can be stated with a high degree of certainty that ordinary human frailty also played an important role. It might be timely to reexamine the history of human behavior in both up and down markets. It may also be timely to examine the history of rewards earned by those who went against the tides of human emotion at critical moments.

What the Market Hath Wrought: There are media reports of at least one stock selling for less than the value of the company’s cash on hand (Charles Schwab). There is another stock selling for a 20% discount below an established takeover price (Anheuser-Busch). There are stocks selling for substantially less than the replacement costs of their productive assets (several electric utilities). There are many quality stocks selling for single-digit price/earnings ratios among industrials and oils. There are well positioned companies with stocks now selling at a discount from historic valuations that will emerge from this turmoil in stronger competitive positions. There are master limited partnerships offering double-digit yields. There are closed-end funds selling at net asset value discounts ranging from 15% to well over 30%.

Inquiry: *The Wall Street Journal* has sent out an inquiry to retirees requesting information on several specific topics: (1) Have you recently made any changes in regular withdrawals from retirement accounts? (2) Have you changed sector allocations among stocks, bonds and cash? (3) Have you converted any traditional IRAs to Roth IRAs? Anyone wishing to respond please contact kelly.greene@wsj.com.

On the Website: New articles which may be of interest to retired investors are posted regularly at www.olligmu.org/~finforum/.