

Investment Forum Program for Wednesday, October 29 at 11:30

Perspective: Conversation has moved from the "R word" (recession) to the "D word" (depression). The current issue of *Barron's* quotes money manager Ray Dalio as warning clients that the world is entering a depression caused by an irreversible deleveraging spiral. At present, that remains a minority viewpoint. But if that is, in fact, the destination to which the global economy is headed, then insured bank deposits, Treasury securities and (possibly) gold are the investments of choice. However, the same article also quotes Warren Buffett opining that the market will eventually move higher, perhaps substantially so, most likely without any clear advance signal and those who wait for confirmation will miss a historic opportunity.

Strategies: For those who might wish to follow Buffett's wisdom, he fails to follow through on his advice with specifics. But, other commentators are not so restrained. Among the most commonly mentioned metrics of merit for stocks in the current environment are low debt, cash on the books and the ability to continue generating cash. The October 13 issue of *Barron's* listed 25 cash rich companies ranging from Exxon Mobil (XOM) to United Technologies (UTX).

Gold: Gold has so far failed to live up to its reputation as the ultimate safe haven asset. This has left true believers ("gold bugs") confused and frustrated. Numerous reasons have been put forth to explain the recent disappointing price behavior of gold. The October 20 issue of *Barron's* features an article recommending gold investments in coins, exchange traded funds that hold bullion or mining stocks. However, the reasoning put forth for owning gold seems less than persuasive. One must believe that gold's future price behavior will differ from its past. But, given recent failures to foresee financial events, that cannot be ruled out.

Potpourri: Corporate insiders continue to buy their own stocks very heavily. However, insiders are seldom wrong but often early. Meanwhile, mutual fund shareholders continue to redeem record amounts of shares. Dividend investors may be in for some unpleasant tax surprises this year. Finally, ever upbeat *Kiplinger's* asserts that the U.S. is still a destination of choice for foreign capital.

Of Note: For all the public and political bile directed at Big Oil, small companies produce the majority of oil (68%) and natural gas (82%) in the U.S.

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