Investment Forum Program for Wednesday, July 22 at 11:30

Perspective: A newly released forecast from the Federal Reserve anticipates that it may take five or more years for the economy to regain its vigor. This is probably one factor in the public's renewed interest in fixed-income investments after experiencing two major disappointments with stocks over the span of a single decade. Retail investors are buying U.S. Treasury securities in quantity despite very low rates of return. And, last week it was mentioned at the forum that Charles Schwab foresees very modest returns from stocks over a similar timeframe as the Fed is using. Bill Gross also shares this vision. The stock market anticipates, but usually months in advance rather than years in advance. Perhaps it is too soon to party on Wall Street?

Reality Check: T. Boone Pickens has been conducting a high-profile public relations campaign to promote development of wind power as a major contributor to the nation's energy supply. Billionaires tend to attract attention and get respect in our society, so he has enjoyed a great deal of publicity with his message. A few comments will be offered on why Mr. Pickens has begun to look elsewhere to make his next billion. Think cheap abundant natural gas and possible implications for FPL Group.

Buy-and-Hold: The stock investment strategy of buy-and-hold is facing a great deal of skepticism after events of the past two years. Certainly the ranks of buy-and-hold candidates have been thinned over that period. Warren Buffett is being held up as the poster boy against his self-proclaimed goal of holding stocks "forever," but the portfolio he has developed for Berkshire Hathaway over the decades is heavily weighted towards financials which took the brunt of the recent bear market. Meanwhile, Professor Jeremy Siegel continues to advocate the strategy based on the supposed historical performance of stocks, but renewed scrutiny of the long-term data he relies upon casts doubt on his fundamental suppositions. The current issue of *Kiplinger's Personal Finance* has an article entitled "Can You Time the Market?" which suggests that buy-and-hold versus trading is not a black-and-white decision, but is more a matter of shades of gray. However, the article also opines that a pure trading strategy is very difficult to implement over time. It can be read on the forum website at www.olligmu/~finforum/.

Diversification: On of the foundations of "modern portfolio theory" is asset diversification. But, events of the past two years have called diversification strategy into question. Other than cash, only three asset classes from among many candidates performed well during the recent bear market: U.S. Treasury securities, high-grade tax-exempt bonds and gold. Over the past two years, these asset classes held their ground while much else around them crumbled. So, whither diversification? Interestingly, voices of reason are now arguing that individual investors may be well advised to avoid U.S. Treasuries and gold despite their recent strong performance. However, munis continue to maintain favor.