

Investment Forum Program

Wednesday, February 3 at 11:45

Fear: Investing on fear (or any other emotion) is usually bad strategy. In 1993, the dean of the MIT Sloan School of Management wrote a best-seller that stoked fears of Japanese economic hegemony. A decade later, anxious real estate investors, fearing scarcity of opportunity, camped out for 48 hours during the winter to buy new townhouses in Alexandria . Today, we fear inflation in the face of 10% unemployment, historically low industrial capacity utilization, restrictive bank lending to small businesses and consumers and dependence of consumer spending on continuing federal stimulus. We also fear that the Chinese will precipitously dump dollar-denominated assets on global financial markets despite the irrationality of such a self-destructive policy. Such fears promote ubiquitous televised financial advice from hucksters, including a notorious convicted felon.

Exchange-Traded Funds: Last week, mention was made at the forum of a new iShares ETF product which consists of a series of target-date municipal bond funds that mature between 2012 and 2017. They trade under the ticker symbols MUAA, MUAB, MUAC, MUAD, MUAЕ, and MUAF. Caveat emptor: iShares states on its website that “the Fund does not seek to return any predetermined amount at maturity.” For a primer on ETFs, go to www.kiplinger.com and type in “exchange traded funds” in their Search entry. Also, through the miracle of the Internet, a comparison will be displayed between two exchange-traded bond funds, LQD and BIV.

Out of Favor: A *Morningstar* “infomercial” in a recent issue of *Barron’s* reminds us that “Long-term thinking helps us see opportunities that others miss. The market for short-term returns is highly competitive, with the annual average turnover at U.S. equity mutual funds well in excess of 120%, and sell-side research increasingly focused on high-velocity trading opportunities. For the patient investor, we think there are still undervalued stocks on offer.” Several candidates in this category may be Exelon (EXC), PepsiCo (PEP) and Procter & Gamble (PG). However, other potential candidates also merit consideration.

Would’ve, Could’ve, Should’ve: Now they tell us. Computers wear out and software becomes obsolete. Intel (INTC) and Microsoft (MSFT) were great bargains last year. The only challengers they face are litigious governments. And, they pay dividends. Wall Street still favors them.