

Investment Forum Program for Wednesday, July 21 at 11:45

Future Meeting Schedule

This will be the final meeting of the Forum for the Summer Program. The Forum will meet at 10:00 on July 28. OLLI will be closed for the first two weeks of August. The Forum will resume on August 18 at 10:00.

Perspective: The July 15th edition of the *Financial Times* featured a column entitled “The world suffers from a shortage of safe assets.” The thesis of the argument is as follows. Emerging markets generate more wealth than can be absorbed in their local economies. Surplus wealth from emerging markets gravitates to advanced economies. This phenomenon has been underway for over a decade. It created the subprime debacle and continues to drive down interest rates in the U.S. The writer argues that this situation will cause Treasury rates to remain depressed and cause corporate bond rates to fall further.

Bonds: The scenario described above combined with reports that serious concerns of possible deflation and prolonged stagnation are circulating within the Fed suggest that bonds continue to merit consideration as safe assets in a low-inflation environment. As a follow-on to last week’s tutorial on bond duration, some specifics on bond funds will be presented using four families of Vanguard funds as examples.

Strategies: Investors are frightened and frustrated after a difficult decade for stocks and are seeking shelter as the economic outlook remains unclear. Wall Street is always willing to accommodate investor anxieties. One approach which was recently discussed at the Forum is mutual funds that include so-called “alternative” investments. Some have been notably successful. Another approach is market timing in an attempt to be in the market when it is rising and out of the market when it’s falling. A recent article featured on *MarketWatch.com* was entitled “Buy and hold gets old.” It mentions several funds that attempt to engage in market timing, discussed their track records and mentioned some funds that continue to practice buy-and-hold with measured success.

Gold: In the August issue of *Kiplinger’s Personal Finance*, James Glassman writes “Gold is not just an obsession, it is a mystery.” It trades on fear, not fundamentals. But, that said, it may have a lustrous future because of demand from growing wealth in parts of the world where ownership of gold is a deeply engrained cultural custom.

Stock Talk: Big Tech appears to be a cheap sector within the current market. Some familiar names with strong franchises are approaching single-digit P/E valuations.