

Investment Forum Program for Wednesday, January 12 at 10:00

Future Meeting Schedule

During the interim period until the OLLI Winter Program begins, the Forum will meet at **10:00** on the following dates: January 12 and 19.

Perspective: “There is a basic and recurrent process. It comes with rising prices, whether of stocks, real estate, works of art or anything else [bonds, precious metals, commodities]. This increase attracts attention and buyers, which produces the further effect of even higher prices. Expectations are thus justified by the very action that sends prices up. The process continues; optimism with its market effect is the order of the day. Prices go up even more. Then, for reasons that will endlessly be debated, comes the end. The descent is always more sudden than the increase; a balloon that has been punctured does not deflate in an orderly way.” *John Kenneth Galbraith (1955)*

Municipal Bonds: There is much concern regarding the prospect for an impending municipal bond crisis. It has been 170 years since the U.S. has experienced widespread defaults on public debt. It followed a period of wild speculation involving real estate and infrastructure development. That episode ended badly and had long-lasting aftereffects. A repeat was avoided during the Great Depression, providing a high degree of investor confidence in municipal bonds. Opinions on the current degree of risk differ widely.

Markets: Mention of stock trading provokes images of televised busy trading activity on the floor of the New York Stock Exchange. Times are rapidly changing. New Jersey is the new heart of Wall Street. Nearly all stock trading is now conducted by computers communicating with other computers in vast warehouse buildings located in places like Secaucus, Weehawken and Carteret by firms most individual investors never heard of. Speed is the order of the day; think of transactions completed in 98 microseconds.

Potpourri: Beware of closed-end income funds that offer exceptionally generous payouts; some of those payouts may actually be return of capital. Verizon is getting high-fives all around for starting to offer Apple's iPhone; but it has a potential problem regarding its shared ownership of Verizon Wireless with Vodafone. James Barrow, manager of the Vanguard Windsor II Fund, argues that oil is more alluring than gold as a hedge against dollar devaluation.

Of Note: New articles have been posted on the Forum website at www.olligmu.org/~finforum/.