

Investment Forum Program for Wednesday, March 23 at 11:45

Perspective: Little is known regarding the long-term effects of the catastrophe in Japan, but much is being said. However, one important little-acknowledged fact stands out. Namely, the GE reactors at the center of the crisis withstood an earthquake with a magnitude ten times greater than that for which they were designed. But, in the bigger scheme of things, it is being pointed out that nuclear energy remains a vital component of the world's energy supply.

Stocks: It is not yet known whether events in Japan will have inflationary or deflationary effects here in the U.S. But, T. Rowe Price offers investors a bit of consolation on long-term inflation. To wit, there have been 66 rolling 20-year periods between January 1, 1926 and December 31, 2010. Stock returns have outpaced inflation in all 66 of those periods. In the same context, the current issue of *Barron's* features an article entitled "Equities Investors, Don't Despair." The subtitle reads "Despite U.S. stocks strong rise over the past two years, and the recent slump, history says there's plenty of room for further gains over the next decade." Meanwhile, an abundance of advice is being offered on stock selection during the current market pullback, ranging from conservative consumer-staples companies to plunging headlong into distressed Japanese stocks.

Bonds: Once again investors are being warned that the long-term outlook for bonds appears unfavorable. The current issue of *Bloomberg BusinessWeek* features an article entitled "Investors Are Bearish on Bonds." This article names some of the biggest investors and provides information on how they are positioning their bond portfolios for rising interest rates.

Stock Talk: Tidbits of cautionary information keep showing up regarding **Verizon** (VZ). Several months ago, *Forbes* commented on the cash flow drain that shared ownership of Verizon Wireless places on the parent company. Now, *Bloomberg BusinessWeek* reports there is reason to believe that FiOS is not profitable.

Municipal Bonds: A recent opinion article on *Forbes.com* offered an alternative methodology to assess credit risk of individual states. The good news is that by this reckoning, Virginia is among the most creditworthy.

For What It May Be Worth: Goldman Sachs is advising clients that Fed policy on interest rates will be to continue setting them low and the price of oil will remain high on global markets. Clients are be advised to take long positions in a basket of stocks including **Cenovus Energy** (CVE), **ExxonMobil** (XOM), **Marathon Oil** (MRO), **Diamond Offshore Drilling** (DO), **Chevron** (CVX), **Murphy Oil** (MUR), **Baker Hughes** (BHI), **Halliburton** (HAL), and **Hess** (HES).