# As We See It

I shall be telling this with a sigh
Somewhere ages and ages hence:
Two roads diverged in a wood, and I --
I took the one less traveled by,
And that has made all the difference.
--Robert Frost

The Contrary Opinion Forum is held annually near Burlington, Vermont--Robert Frost country. This year's event was, as usual, informative and thought provoking.

The success of the forum stems from the quality and diversity of speakers and the opportunity for discussion following each presentation. Views about the economy and the stock and bond markets varied widely. The following are but a few of the thoughts presented.

Dr. David Ranson of H. C. Wainwright Economics reminded us that when it comes to forecasting, the "experts" are often wrong. He built a very strong case in favor of using the markets when making forecasts.

He stated that market prices contain forecasts and that these markets are objective, dispassionate, and better informed than any single analyst. Cited as examples were short-term interest rate movements which indicate the future direction of the economy and gold price movements which anticipate interest rate changes. His conclusion was that we are going to experience several years of strong economic growth accompanied by low inflation and even lower interest rates as we move into the recovery. This is certainly a contrary position.

Ken Safian of Safian Investment Research also predicted low inflation but differed with Dr. Ranson in thinking that the economic recovery would be slow and may, in fact, require stimulation from a tax cut. In terms of the stock market, Mr. Safian concluded that the traditional growth stocks are overpriced and that the best opportunities are in the cyclical stocks. This view was supported by Jeremy Grantham of Grantham, Mayo, Van Otterloo & Company.

Mr. Grantham also spent some time discussing why contrary investing works. His basic point was that contrary investing works because everything eventually regresses to the mean. Today's overvalued stock becomes tomorrow's undervalued stock and today's undervalued stock becomes tomorrow's overvalued stock. This happens partly because investors want to feel comfortable with their investments and are willing to pay a premium for that comfort. Today that premium is being paid for the comfort of owning stocks like Coca Cola and Kellogg while stocks like Trinity Industries and Timken languish.

Robert Frost found that there was an advantage to taking the less traveled road. As investment managers we too tend to take the less traveled road and look in areas that are not the current favorites, such as our present use of long-term bonds and cyclical or value stocks.

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