ASK THE **ADVISERS**

The views and opinions expressed in "Ask the Advisers" are solely those of Keith Singer.

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Now What?

Many people have been asking me what to do with money that is on the sidelines. After all the Fed is in the middle of raising interest rates, which is never good for stocks because that could lead to a recession.

People are scared, they are looking at short term treasuries paying almost 5%, and thinking "just give me that." What is interesting is the short end of the yield curve is very inverted. The six-month Treasury is yielding over 4.9%, the one-year Treasury is yielding only 4.7% and the 2-year Treasury is yielding only 4.24%.

The market is essentially saying that interest rates are expected to be lower in a year from now. For interest rates to be lower, the Fed would need to have dropped rates by then, which means the market thinks conditions will be improving soon because the stock market tends to rally about 4 months before the end of recession.

One thing that the Fed doesn't want is for investors to start getting overly optimistic because if everyone thinks rates will be coming down imminently and investors get optimistic, the economy could start overheating again, so the Fed must keep its message on point and hope that investors believe interest rates aren't about to be slashed.

The S&P 500 was down over 18% last year. When stocks go down investors have 3 choices; Buy, sell, or hold. Investors who panic and sell after markets have dropped have been routinely punished and those who have had the courage to add stocks to their portfolio have been rewarded. Whenever the stock market falls, it could always fall further but it will eventually make new highs.

Those who overreact to short term movements probably shouldn't be stock investors. If you would like to reduce volatility in your portfolio, you may want to consider buffered ETFs. Buffered ETFs provide a downside buffer of approximately 10-15% in the event the market drops, yet over the next year if the index appreciates the investors can make up to approximately 18%.

Source: Yahoo Finance

To receive the weekly email version of Mr. Singer's column, email the word Column to Caitlin@Singerwealth.com.