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Market Outlook:

Rich or poor?

It is becoming inevitable that both interest rates and rates of inflation will be on the rise during the coming months. Why would this matter?

To begin, most investors not only care about how much money *they have*, but also about *how much they are worth*. On a relative basis, higher interest rates and greater inflation erode the imagery of one's cash. The "fair value" of our net worth is oftentimes equal to the net worth value minus any debt or outside disorderly factors. When the destructive values are increasing, the purchasing power of your money is diminishing.

The cost of milk, tuition, travel, home-buying, etc., creates a cacophony of "noise" that disrupts your ability to get and stay ahead.

The timing of the rate hikes really couldn't be more ill-timed. Just as the economic recovery is taking root (following the calamity of the last Great Recession 2008) a daunting assessment is being thrust upon the backs of the investment population. Given enough time to digest the rate hikes, the financial markets have thus far responded relatively benevolently. **But consider that as stock companies will eventually have to "pay more" to borrow money, it probably will eviscerate their heretofore maximum profits; municipalities will have to dig a little deeper to meet their debt obligations; and the average investor will have to shell out more cash to buy a car, television, or college education.**

Considering the time, cost, and opportunity of pursuing higher returns with greater portfolio security, there seldom is a single panacea to complex investment problems. The conundrum is that very long term cyclical phenomena are too often employed to try and explain short-term performance expectations. For example, as interest rates start to rise the potential over time to buttress portfolio performance with a finite baseline rate of return (that's the long-term part of the equation) will be thwarted by the impact of "expensive money" upon current portfolio valuations (the short-term, knee-jerk response). Consistently beating the fantasy averages is a fleeting and elusive objective. The goal, I believe, should be to evaluate your unique situation, define your expectations for your money, and establish the proper risk protocols to enable successful portfolio results during periods in which circumstances might be in flux.

It is a more valuable use of your time and energy to focus attention upon the *processes* of your investment methodology rather than upon the *outcome* of the methodology, itself.

Patience

Throughout the many gyrations of the financial markets' journeys, the challenge is not only to quantify the integers which represent those changes, but also the impact of those changes upon the human condition. While we might be able to calculate the numerical level of inflation, for example, how do we measure the financial "cost" of those data upon people's lives?

Divesting oneself of the *performance expectations game* is not easy to do. Portfolio results oscillate depending upon the circumstances of the overall market and economy. Remaining calm in the face of imminent change is an acquired skill set. We also know that things are always perceived as most severe immediately upon inception, while those factor's impact usually dissipates over time....good or bad.

Are you rich or poor? It depends whether you use empirical number-crunching to answer that query, or whether a values-based judgment is a better way of prioritizing what's important.

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