



faith . discipline . patience

Interest rate hikes are coming, run for the hills!

Or, if you've been searching for return on your savings account maybe you can put away the microscope.

In a recent press conference the Federal Reserve Chair, Jerome Powell, as reported by the Wall Street Journal, stated that "it is really time for us to begin to move away from those emergency pandemic settings to a more normal level. It's a long road to normal from where we are".

This has many investors concerned.

Higher interest rates often means earnings projected far into the future are worth less in present-day calculations. This is part of why especially many tech stocks have taken a beating this year.

What about stock overall? How have they fared in the past when the feds raised rates?

According to Truist Advisory Services there have been twelve rate-hike cycles since World War II with the last taking place in 2015 – 2018.

Of the twelve cycles the S&P 500 saw growth eleven times (the sole exception was 1972 – 1974 when the oil crisis hammered the economy and the 'Nifty 50' investment craze came to an end).

In the 12 cycles the average annual return was 9.4%. In other words, very close to the century long average.

Of course, each rate-hike cycle is different with its own extenuating circumstances. Still, I caution you to think that this time is so different that you can throw history to the side.

If you see articles warning you against stocks because of the coming rate hikes remember that history is on the side of stocks.

Good luck.

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