



faith . discipline . patience

On Wednesday, the Federal Reserve Board wraps up a two-day meeting and is expected to raise interest rates by one quarter of one percent.

You may see stories about how you should change your investments because of this rate hike.

Think twice before you do so. An expected rate hike has long since been priced into stock and bond markets.

That's part of how an efficient market works as investors and traders position themselves for future returns.

But how might the interest rate hike impact the stock market?

Looking back at the last seven rate hike cycles since 1984, according to First Trust, the S&P 500 stock index was down 1.2% one month after the first rate hike.

3 times the stock index was up, 4 times down. So, not much guidance there.

Three months later the market was on average up .1%. 2 times up, 5 times down. Again, not much guidance.

Six months later, however, the average return was up 6.2% with 6 of 7 cycles showing a positive return.

So, it seems history tells us a rate hike may not have much impact on stocks over the next few months.

However, over a six month period it would be normal for stocks to rise.

As it seems to be with so many indicators, seen in isolation or together, if you give the stock market time it tends to go up.

If you're still worried about the impact of interest rate hikes on your stocks for the next few months, well, I'd say you are a trader or speculator more than an investor. In which case you may want to keep a close eye on markets Wednesday afternoon and Thursday to see how the market may react.

For the rest of you, nothing to see here, feel free to move on.

Good luck.

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