The Tyson Smith Group
of Raymond James

What if…

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Q & A with The Tyson Smith Group

This article is written by you, our readers. Over the course of the past few weeks, we've received a plethora of repeated questions. Simple questions, yet very important topics so we thought it might be prudent to share some of our insights here.

Question: What happens to portfolios when rates rise?

Answer: Expectations from most of the research groups we watch are fairly consistent. Rates are expected to begin going up in the latter half of 2015, perhaps as early as June. Increasing interest rates generally have a negative impact on the value of existing fixed income assets (bonds) in portfolios. The longer the length of maturity, the greater the negative impact rising rates will have. Action: Review all your fixed income holdings for interest rate risk. Don't let yourself be surprised.

Question: Is Gold a good place to invest?

Answer: I've never been a huge fan of Gold in portfolios. Gold has an inverse correlation to the U.S. Dollar and tends to be a decent hedge while the Dollar falls. However, the Dollar tends to have a positive correlation to interest rates so...see above. Action: Pour through all the holdings in your mutual funds and managed accounts to determine the exact amount of Gold exposure and take any corrective action you deem necessary.

Question: Oil Prices have skyrocketed. Is that bad for the stock market?

Answer: Yes and No. There are market sectors that will take a beating when oil prices rise but generally, lower oil means lower production and transportation costs. Those savings go straight to the bottom line and could be very good for corporate earnings. Action: Review opportunities available as a result of the recent energy pullback.

Question: What is Infrastructure and is it a good play?

Answer: Infrastructure typically consists of permanent assets society requires to facilitate its orderly operations. The four broad categories of Infrastructure include Transportation, Energy, Communications and Water. In developing markets, population growth and increasing urbanization are fueling growth. In countries with high GDP growth rates, infrastructure may be a good buy. Countries already developed may also need infrastructure spending to compensate for initial shortsightedness (a chronic problem) and to replace aging components. Action: Factor in currency exchange rate risk when investing overseas. You may capture a growing asset class but lose your gains to a strong dollar.

Question: What's the market going to do this year?

Answer: oops - looks like we're out of space. We'll have to save that one for another day.

As always - do your homework. Stay educated, ask lots of questions and understand your risks before making any investment decisions.

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