



Strategies Report

Market Comments

5/4/00

Interest Rate Jitters and Market Volatility

Concerns have surfaced that the Federal Reserve might raise interest rates .5% this month. Alan Greenspan has made on secret of his intention to preemptively strike inflation whenever it pops its head up. And with a number of indicators recently reporting stronger than expected increases, many investors are concerned.

What will happen? How many ways are there to say "I don't know" and still look intelligent?



If you did some buying at the mid-April low-point, that still looks like a good move. But keeping some cash on hand in case rising interest rates cause another sell-off seems prudent. Expect a roller coaster ride.

However, there is nothing about overall economic conditions to put long-term investors off their feed. The market needs a cooling off period from time to time.

A healthy scenario would see some further "backing and filling" and a more modest growth pattern.

A good end result might see Large Caps up around 9-11% by year-end, Small Caps and International up around 12-15%, and bonds up 4-6%. My one to three-month outlook follows:

Larger Company Stocks -- Neutral

Smaller Company Stocks -- Neutral

International Stocks -- Neutral to Favorable

Alternative Categories -- Selectively Favorable

Intermediate Bonds -- Unfavorable

Long-Term Bonds -- Unfavorable