



>: More Bang for Your Buck: Why You Should Keep "Interest Rate Hysteria" in Perspective.

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Top of the morning to you.

I predicted a ?DOW 12,000? not so long ago, and I still believe that to be the case. Investors nowadays don't understand how good the market is, relatively speaking.

Do you know which interest rate they are talking about when the news or anyone else says that they "may raise rates"??

They are talking about the federal funds rate. This is the interest rate at which depository institutions (namely banks) lend money to other banks for overnight loans to satisfy the Federal Reserve's requirement of having a minimum amount of capital on hand for an emergency.

The Federal Reserve implements this "raising of rates" primarily through a tool called open market operations.

Open market operations are basically the buying and selling of government bonds through a money center bank (e.g. JP MORGAN CHASE). When the Fed wants to raise rates, they sell bonds, which effectively removes money from the money supply. Then, when the "supply" of money decreases, the "price" of money goes up.

The opposite is true as well. When the Fed buys bonds, it effectively increases the supply of money, which lowers interest rates (or, the price of money).

Obviously, raising interest rates combats inflation by slowing down the economy. Raising interest rates is like throwing a bucket of cold water on a barbeque to put out the fire.

I want to keep things in perspective right now for all of you scaredy-cats who panic right away and think that the world is coming to an end because the market is down 3% or some other number.

INTEREST RATES were almost 20% in the late 1970's and early 1980's!! There was not just inflation back then, but there was something much worse: Stagflation, which basically means the economy was horrible, unemployment was high, and inflation and interest rates were out of control. Compared to the 1970's, this investment climate is a cakewalk ? don't be a [Munson!](#)

There are trading and investment opportunities every single day. We live in a country where businesses basically control everything, and that will not change any time soon.

As long as businesses have carte blanche with regard to business decisions, there will be stocks going lower and higher everyday, but the overall market WILL trend upward over the long term.

I'm not going to mention to you again that EVERY SINGLE stock that I (or anyone else) recommends to you will go up, because we're all wrong sometimes.

What I will tell you is, if you get scared every time the market moves up or down a little bit, you probably should not be investing.

In fact, Warren Buffett is fond of saying that to be a successful investor does not require a high IQ. If your IQ is above 125, then give the rest to your family members who are lacking.

What investing requires is a good temperament ? the ability to see the big picture and not panic as soon as you feel a little fear, or jump headlong as soon as you feel a little greed.

We have fabulous editors here at Tycoon Publishing to guide you through times like this, and they happen to be right a heck of a lot more than they are wrong.

Furthermore, we have a combined 100 years of experience here and will always give it to you straight.

When we started this company, our goal was help individual investors get access to some of the best minds on Wall Street. Of course I might be biased when I say this, but from the feedback we receive from real men and women across the country, I know we're the best at what we do.

So take a deep breath and trust the team writing in these pages, and you'll likely win far more often than you lose!

Think about what I said. I will have a new recommendation for you soon.

For all of my American countrymen (and women), HAVE A GREAT INDEPENDENCE DAY!!