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FINANCE

Pay attention to bad news before you jump in market

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With the continued headlines focused on war, terrorism and high oil prices, it seems like we continue to be stuck in the same old rut when it comes to the markets.

A slight positive movement in the markets seems to be tampered by the next day's bad news. It is difficult to keep the "investment spirit" during these periods of negative news.

I once saw a cartoon that depicted an investor hanging on for dear life as the market tumbled as if riding a roller coaster. As the market fell, he waited until it hit bottom to sell, only to realize he had purchased at the peak of the market. Letting all of his emotions carry the decision process, he then moved to the latest investment which he was told was in favor. Not realizing it now had reached its peak and as others had beaten him to the latest investment, he once again got on for the ride. The investment was later again sold at the bottom of that investment cycle. Could he, or would he, take a more realistic approach to the long-term nature of investing?

War, famine, disease and all sorts of bad news generated by different catastrophic events have been some of the reasons people historically should have stayed out of the market. Yet despite the negative news, those who continued to invest were those who reaped the most rewards. Often the problem itself creates many new opportunities for ingenuity and growth in an economy. It is essential to prepare to continue moving your portfolio in the right direction.

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Think of how negative today's headlines have been. Oil prices are expected to rise even more; predictions of prices over $100 a barrel don't seem so far off. Gas prices were expected to go over $3 a gallon, and that is now a reality; $4 to $5 per gallon does not seem out of the realm of possibility. Real estate was already supposed to have experienced a bubble and prices were predicted to have fallen sharply. This has started to happen in some areas, but not as severely as originally predicted. Inflation is on the rise and interest rates are rising. The Dow is still struggling to stay above 11,000 with very few predictions of a robust market.

This is where the contrarian often looks for value. Sometimes the best opportunity often awaits you. There was a time not that long ago when oil was predicted to reach $100. When it reached the $60 range it then plummeted to below $15 a barrel. That event alone sent many investment programs heavily weighted on high prices into the tank.

Today things may or may not be different as we are working in a growing global economy that is consuming oil. Many fears today may be having the same effect as those in the past. The question is: When some of the negative news goes away will the stock market boom? At that point will investors have left the arena or will they have grabbed some of the cheap stock?

That is, of course, if you are making the assumption the market is undervalued. We are seeing buyouts and takeovers continue. Does this signal a new look at undervalued stocks? Are these negatives pushing the valuations down or have the price impacts of oil and other commodities temporarily been holding back profits?

There is homework and investigation that must be done when making the final decision to pull the trigger on an investment decision. Ask yourself the question: Am I early or late to the party? Am I buying the "fad" or am I getting in early on what will be the next run? Should I stay the course and continue my long-term investment strategy in the market? Commodities seem to be here to stay for awhile, however, the effects of the prices and the adaptation of the market to them are yet to be seen.

The stability that would come with the end of wars and the beginning of diplomacy is yet to be realized as the Middle East remains unstable. So continue on your course and keep those investment dollars working for you. Just be careful not to overweight your portfolio toward any particular investment that may be hot if it is not on solid footing.

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