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Stock Market Investing Tips, Techniques, and Resources



Investment Risks 2021

By www.ProfitableInvestingTips.com

Investors have grown accustomed to putting money in the stock market and seeing it grow. But, there are investment risks 2021 poses that may change that. Low interest rates have a market driver for a dozen years. When the economy gets back on track, rates may go up and end up driving stocks down. And, the recent Covid-19 mutation in the UK reminds us that nothing is secure in the world of infectious diseases and their effects on the economy. After taking into consideration investment risks 2021 may still be a good year but as bit of foresight might be a good idea.

Vaccine-induced Market Euphoria

As the miracle of modern medicine brings out vaccines to fight the pandemic, stocks have rallied. Unfortunately, it will be half a year or more before the virus is under control providing that more vaccines come on line and the vaccines work as promised. Assuming that all goes well with the vaccines, there are still a couple of risks that investors need to consider. One is that policy gridlock will continue on Capitol Hill and the other is that economic recovery will bring on higher interest rates.

Economic Recovery, Inflation, and Higher Interest Rates

In a recent interview on *Wall Street Week*, Lawrence Summers said he expected to see inflation edge up above 2% by the end of 2021 or early in 2022. The Fed can be expected to rotate from prevent an economic disaster to controlling inflation again. And, higher interest rates will drive stock prices down. The other issue is that the tech sector is relatively overbought, even considering low interest rates. We can expect to see a minor tech correction on top of that caused by higher rates. Other stocks in the travel and hospitality sectors will probably see a boost because they have been driven so low. But, government policy is a sticking point here.

Control of the U.S. Senate and Governmental Policy

The Democrats will have the Presidency and have retained control of the House of Representatives. However, the U.S. Senate is still up for grabs. Republicans currently have 50 seats and Democrats have 48. And, there are runoff elections in Georgia for the two remaining seats. If the Democrats take both seats it will be a 50-50 tie and Vice President Harris will have the deciding vote. If the Republicans keep one or two of the seats, we can expect to see Mitch McConnell who runs the Senate return to his policy of obstructing anything that the White House and Democratic House want.

We wrote about the potential for a [Biden bull market](#) but all of that depends on congress and the White House working together and the not being continual obstructionism.

Vaccine Rollout Success

The middle of 2021 is a realistic time to see about half of the US population vaccinated. That will let us see some degree of normality return to our lives and the economy. For the poorer countries of the world, it will take longer. Thus the global economy is going to be sluggish for longer than the USA, Europe, Japan, China, and places like New Zealand which is now Covid-19-free.

Geopolitical Tensions

As Trump exits the White House the troubles with China will not go away. The general consensus is that the US, Europe, and other democracies need to stand up to China's ambitions for global cultural, economic, and military dominance. And, after the Russian hacking of historic proportions, we can expect to see tension on that front for the foreseeable future. The re-strengthening of traditional US alliances is sure to happen and there will likely be an acceleration of the "anywhere but China" movement. Some of these will be helpful to investments in the long term but may cause problems in 2021.

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