

Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



Timing Your Investments in 2022

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The S&P 500 started 2022 at 4796 and by the end of the second week of trading in February sits at 4418. Is that 7.9% drop in the index that mirrors the US economy predictive for the rest of the year? If that is the case, timing your investments in 2022 will be a matter of sitting on cash and waiting. Gurus like Warren Buffett advise against trying to time the market on one hand. On the other hand the Oracle of Omaha said to “be fearful when others are greedy, and be greedy when others are fearful.” This could well translate into advice to buy stocks based on strong [intrinsic stock value](#) when the market falls during 2022.

How to Invest When Inflation Rages

Unless you were investing in the 1970s and early 1980s you have not seen what inflation does to the dollar and your portfolio until today. Inflation is at a 40-year high. That has spooked the market. Rather than being spooked, think of choosing investments that do better than the stock market during inflationary cycles. The usual choices for beating inflation include real estate, [commodities](#), gold, collectibles like fine art, and US [Treasury Inflation Protected Securities](#). Two things to think of before jumping into commodity trading, buying gold bullion, or buying property are how long the current inflationary surge is likely to last and then how to time your investing.

Why Is There Inflation in 2022?

The last time inflation was in the 7% range and higher there was no Covid-19 pandemic and the USA did not rely on the supply chain from China and elsewhere in Asia. Today [China's zero tolerance Covid policy](#) is part of what is disrupting the supply chain and driving up prices. All over the world surges in the next Covid variant have been reducing production and interfering with shipping. Meanwhile, in the USA not everyone had to sit home without work during the pandemic. Many continued to work from home but had nowhere to spend their money. As the pandemic starts to subside with the less-dangerous omicron variant and vaccines, demand for goods has soared. Thus a major part of the current level of inflation is that demand is outstripping supply. Additionally, easy money in the form of low interest rates and government stimulus rescue payments has added to the fire.

How Will the Fed's Actions Affect Your Investments in 2022?

The US Federal Reserve has maintained low interest rates and has been essentially printing money to buy bonds and mortgage securities since the depths of the Covid Crash. Their opinion and the opinion of many economists had been that inflation would be temporary and not very severe. They were wrong on the severe part and it remains to be seen how severe inflation will get if the Fed does not act aggressively. As of their last statements they will be done with bond purchases and will start raising interest rates in March. [Fed efforts to tame inflation](#) have been likened to walking a tightrope as too little lets inflation soar and too much kills the

economy, creates a recession, and sends unemployment up. Be aware of how the Fed is progressing when choosing “inflation proof” investments. The investments that thrive when the dollar is falling typically do not do so well when the Fed sends rates up and the Forex market drives the dollar up against foreign currencies. Commodities that are priced in dollars tend to fall as do gold, real estate, and collectibles like fine art.

What Is Your Investment Timeline?

An alternative to a wholesale revamping of your investment portfolio in the face of rising inflation is to use a [dollar cost averaging](#) approach and stay in the S&P 500. You will pick up more shares of your ETF for the same money and will not have to worry about pivoting on a dime when the Fed surprises everyone with a 50-basis-point or higher rate hike!

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