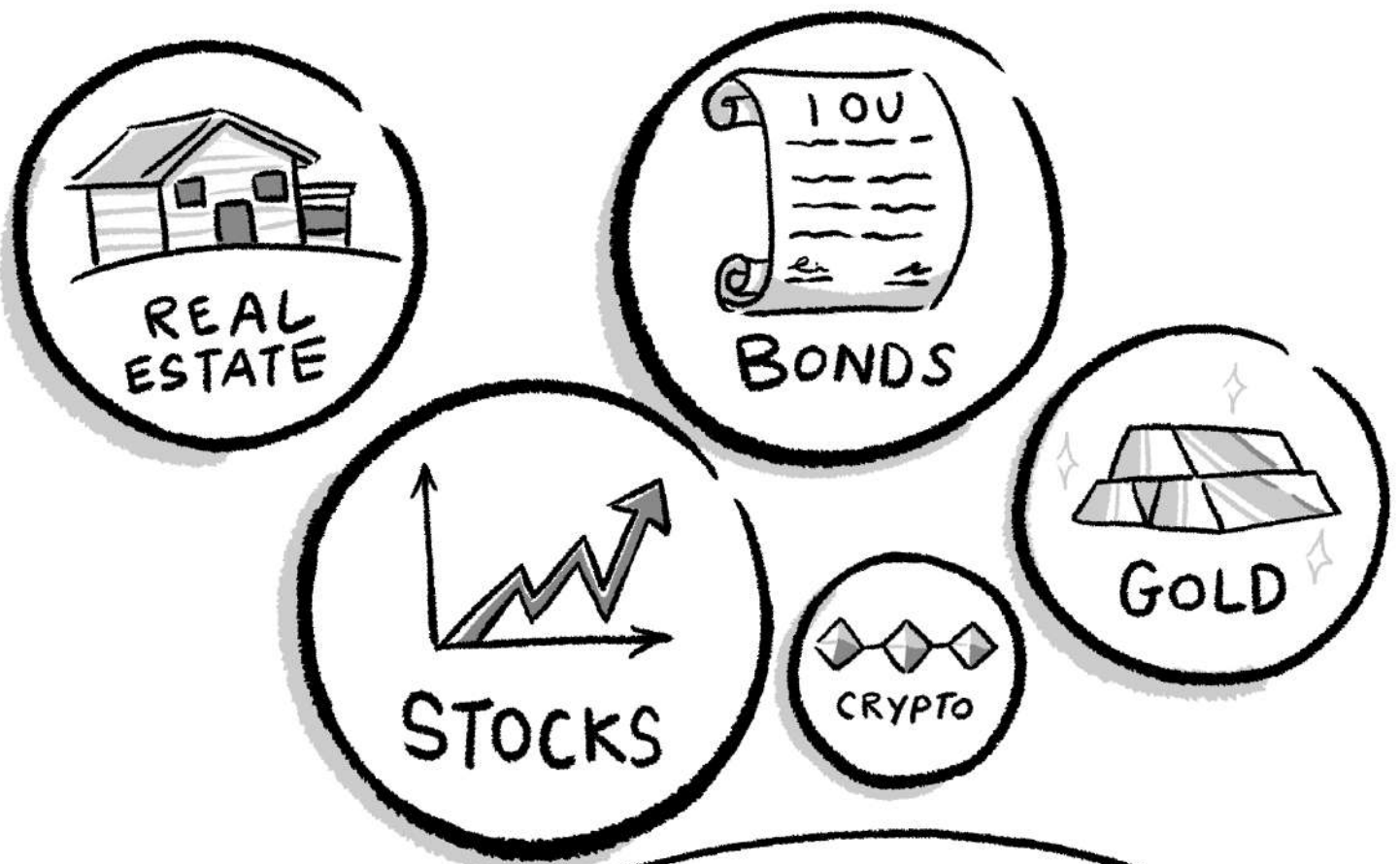




What do increasing interest rates mean for your investments?

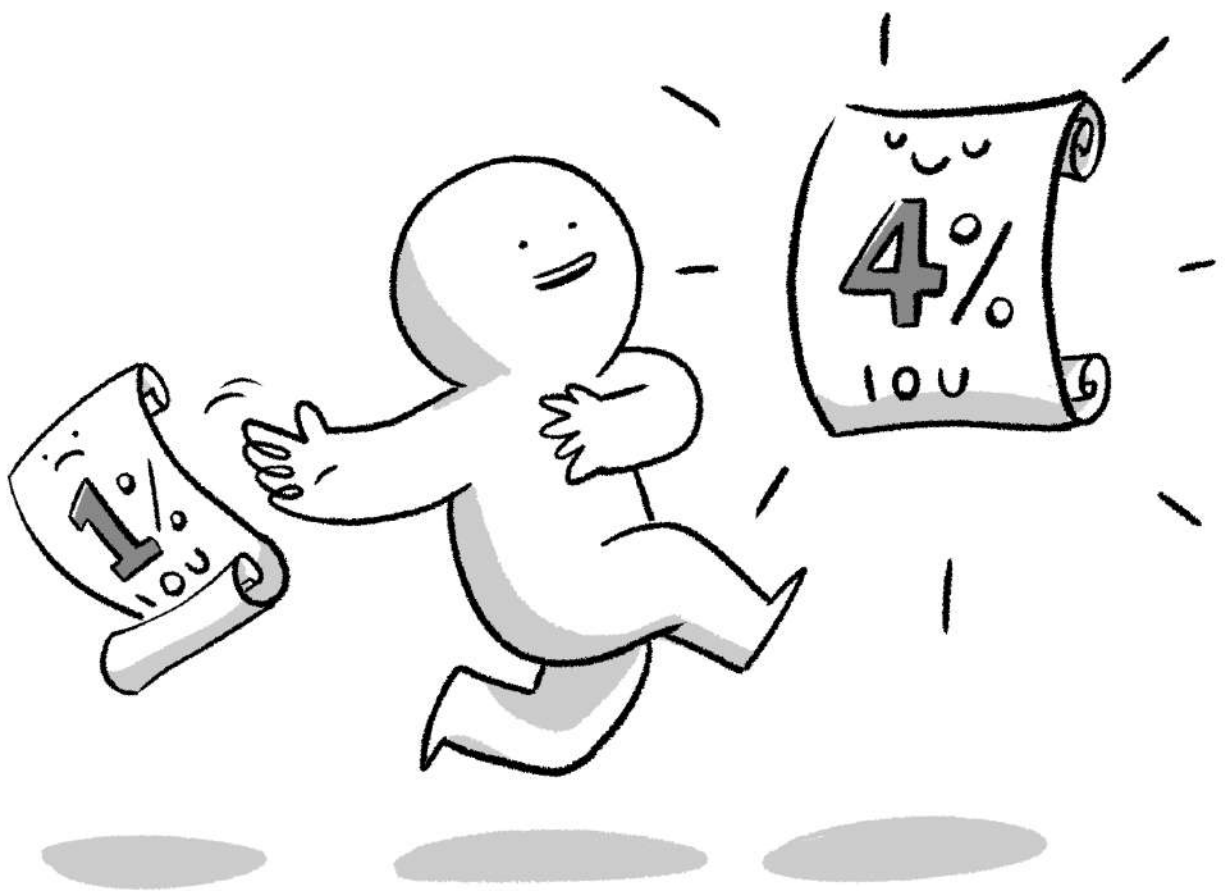
(In theory only)

In theory, this is an overview of how asset classes should behave.



But bear in mind that these ONLY take into account Interest Rates, and might not reflect real-world scenarios, where numerous factors are at play.

Bond prices: fall



Current bonds become less attractive,
as new bonds have higher interest rates.

Stock prices: *maybe* fall

1. Companies borrow money to run their business and when interest rates rise, this means companies need to pay more interest.



2. When interest rates rise, people become more careful in spending their money and prefer to pay their debts off instead.



Less people spending money -> Less revenue
-> less profit -> fall in stock prices

3. With higher interest rates, the stock market becomes less attractive vs stuff like bonds.

For example: Instead of investing in a dividend stock to earn 5%, they might opt for a less risky bond that gives 4%.

Money leaving the stock market leads to lower stock prices.



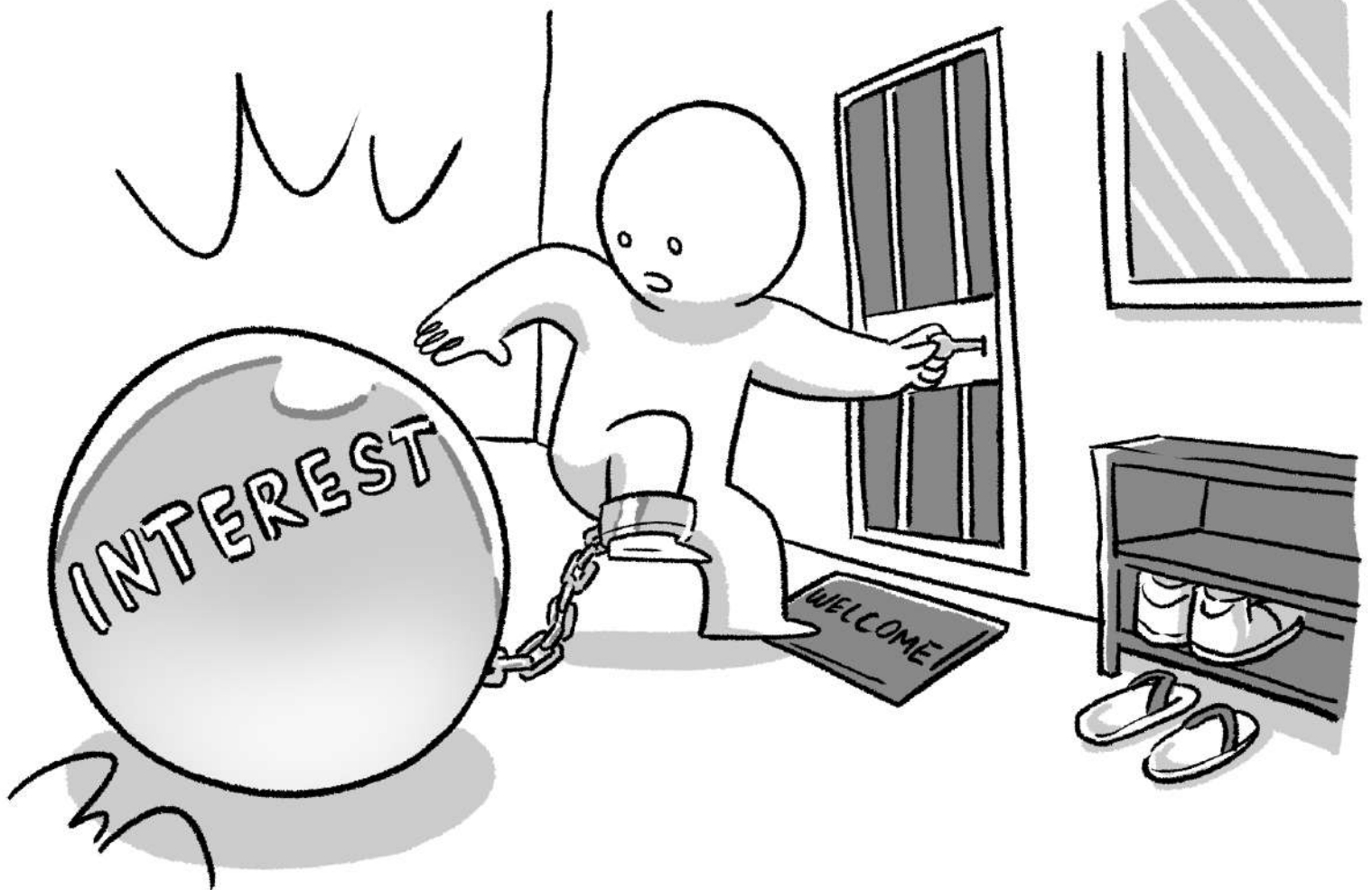
4. All other things equal, the less profitable the business is, the worse off its stock will perform.



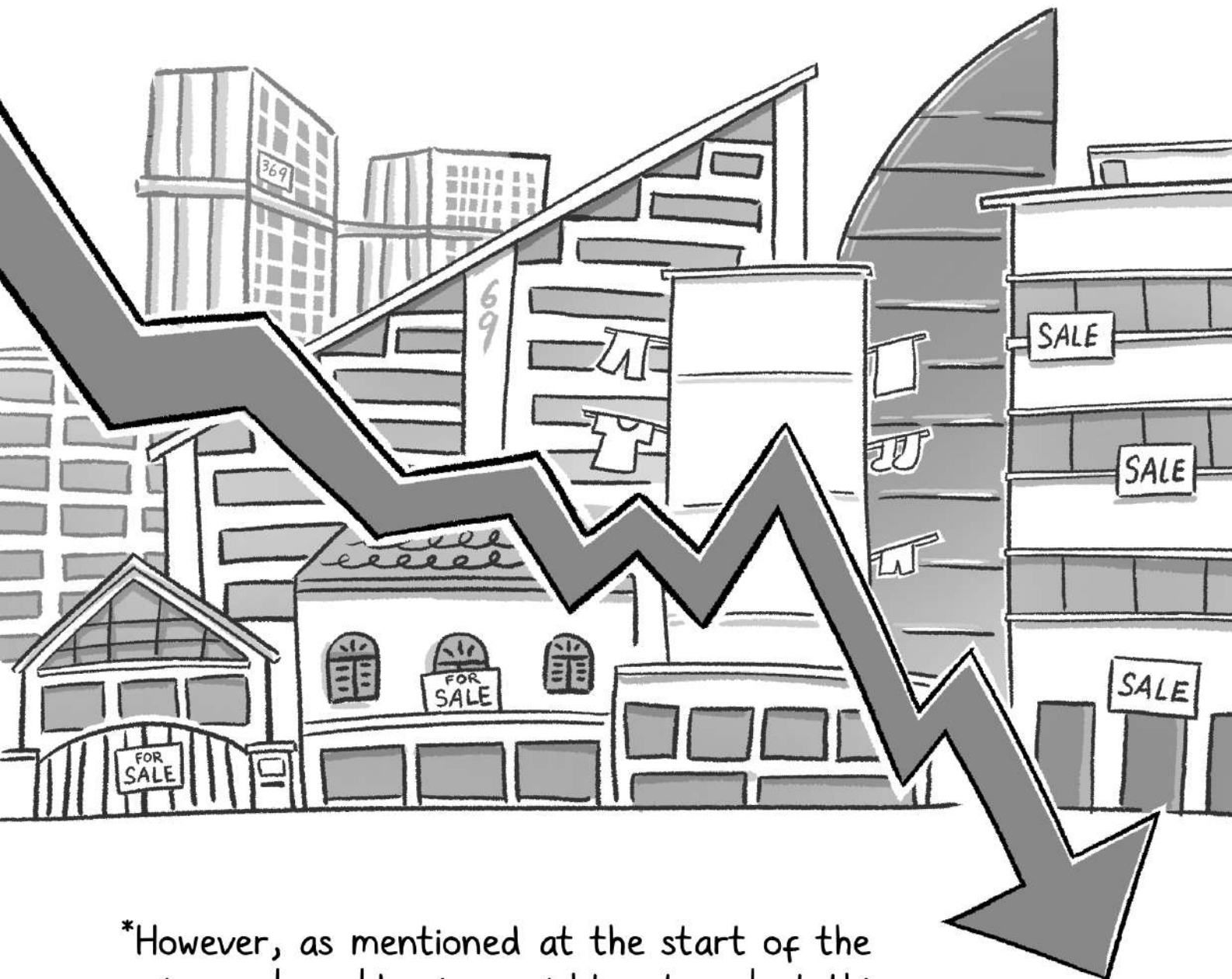
Property prices: *maybe* fall

Unless you are very, very, very, very, very, very wealthy, you would have taken a loan to pay for your house.

When interest rates rise, it becomes more expensive to take a loan. This means less people will be able to buy a house and hence, lower the demand.



When the supply of property sellers outnumber the property buyers, property prices will start to fall.



*However, as mentioned at the start of the comic, real-world prices might not reflect this. Singapore in particular has limited property supply, which might keep demand at a certain level.

Crypto (and NFTs): likely fall

Crypto might have been marketed as 'digital' gold or a 'hedge against inflation' to investors.

However, at the moment people are treating crypto like high-risk stocks that are not making money yet.



Gold: ???

There's no specific theory nor relationship between gold and interest rates.



So what should you do with your investments?

- ✓ Do not blindly buy the dip.
- ✓ Stay invested if you're confident in your investments.
- ✓ Do not over-invest.
- ✓ To overcome fear, invest in small amounts regularly. (DCA)



Stay woke, salaryman.

