GETTING BACK TO MARKET-DRIVEN INTEREST RATES

Ask the PORTFOLIO MANAGER

What's your view on interest rates for the rest of the year?

Transcript of a video recorded on May 30, 2018.

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Interest rates will eventually go higher again—both 10-year yields as well as the fed funds rate—because the Fed's path is unquestionably to gradually increase the fed funds rate into 2019. But, there's a significant debate here as to how this shift to normal monetary policy should be viewed.

Keep in mind that the United States is the only major economy that is even close to shifting back to normality, and our judgment is that this is a huge advantage for the U.S. economy.

I was always a big fan of [former Federal Reserve Chairman] Ben Bernanke. I think he correctly was aggressive and bold in his monetary super-stimulus, but ultimately, monetary stimulus is a palliative. It's not a long-term solution.

Many of the worst fears of the financial crisis have actually been realized in terms of slower growth, lower productive capacity of the major economies. That's because depressed interest rates misallocate resources.

They create malaise, they create inequalities, and getting an interest rate policy driven by market forces, I think, is very, very positive. Although higher interest rates, as we all know, do have an effect on the behavior of equity prices, I think this is an enormous advantage for the United States and for U.S. assets, including U.S. equities.

Many parts of the world, such as European equities, face the real possibility that they can never exit monetary super-stimulus, and when you combine it with many of their demographic problems, it raises significant questions over the long-term profitability of those parts of the world.

WATCH VIDEO

Video recorded 5/30/18.

Before investing carefully consider the fund's investment objectives, risk, charges, and expenses. Please see the prospectus and the summary prospectus containing this and other information which can be obtained by calling 1-800-583-6959. Read it carefully before investing.

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