



INCOME INVESTING

Fed 'Liftoff' Will Be More Like A Kite than A Rocket Ship

By Amey Stone

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Now that it's looking increasingly [likely that the Federal Reserve will raise interest rates](#) at its mid-December meeting, the term "liftoff" is becoming a lot more common in financial conversations.

That's the wrong analogy for what the Fed is trying to do, says **John Petrides, a portfolio manager with Point View Wealth Management**. The word liftoff suggests a vertical takeoff, such as by a rocket, and is a frightening concept for fixed income investors.

But the kind of liftoff the Fed is trying to engineer will be more like setting a kite aloft, says Petrides.

He suggests investors think of the Fed as running with a kite behind it and a hike to the short-term fed funds rate would provide a little lift that gets rates moving higher. Then the Fed can gradually let out more string to get rates float back to more normal levels.

"That's the image investors should have in mind," says Petrides.

He doesn't think this will be a fast process or that it will spark a dramatic rise in long-term interest rates any time soon.

One reason: Given how low overseas yields are, he thinks foreign buyers will emerge and the benchmark 10-year Treasury yield will remain low.