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by Rebecca Tonn

ANB ECONOMISTS PROVIDE PERSPECTIVE ON ECONOMY

American National Bank's Wealth Management Group presented a seminar, The Economy and Financial Markets: Challenges and Opportunities, at the Pikes Peak Center on Feb. 21, about market anomalies and misconceptions.

Daniel J. Korleski, senior vice president and chief investment officer, told the audience not to think merely about the U.S. consumer — since our economy is global.

Because of the weakening dollar, exports are cheaper abroad and this helps our economy. And the rise in online retail sales helps business owners who don't have to keep inventory on hand.

Despite headlines warning about gloom and doom, consumer spending has not declined since 1929. During the last 50 years, Korleski said, our economy has been much more stable — highs and lows are flattening. If we do have a recession, it will be shallow and short and recover by the end of the year.

"As bad as everybody thinks the economy is — as I travel around Colorado, employers tell me their biggest challenge is finding employees who are qualified and able to come to work," Korleski said. "When investors ask me if they should be selling, my answer is 'no.'"

Vice President and Fixed Income Strategist Tiffani Boskovich said that market anomalies cause concern among investors who are not used to volatile markets. She forecasts higher interest rates later this year, despite believing the Federal Reserve will lower interest rates again next month.

"Interest rates are not accurately reflecting inflation and the overall economy," Boskovich said. "And as consumers feel better, due to recent rate cuts, they will spend more. Businesses will do better and eventually rates will revert to a normal yield curve."

She also said that bonds are artificially lower than where they should be and will rise.

Michael P. Carroll, senior vice president and senior wealth adviser, discussed the logic vs. emotions aspects of investing.

"You have to have the strength to do things when others are petrified," he said. "Ten to 20 years ago, structured investment vehicles didn't exist, and we didn't know what collateralized debt obligations and hedge funds were. It's an extremely complicated time."

Carroll suggested that investors make a simple set of rules and abide by them. Then investors should meet annually with a group of advisers — an attorney, insurance agent, financial adviser and a broker — to determine if their investment actions are moving them in the direction that they had planned.

Korleski said it's important to regularly rebalance a portfolio and to have 20 percent of it invested abroad.

"Investing internationally reduces the risk of your portfolio," he said. "The more diversification in your portfolio — the better."

Commodities will probably see a 10 percent pullback during the next few weeks, but because of the world economy, commodities will continue to rise.

"The economy is not as bad as some perceive it to be," Korleski said. "But you have to have a combination of all the different asset classes to manage risk and smooth out returns."