

The 10 golden rules of crisis investing

General thoughts on investments:

1. A trade off has to be made between preserving your money's future (long term) value from:

1. Bankruptcies or dilution (Debt & Equity & Insurances)
2. Governmental confiscation (Gold, Deposits)
3. Money printing and inflation (Cash and Cash equivalents)
4. Asset Deflation (Real estate, Commodities)
5. Accessing your assets timely (Bank deposits, Funds)

And benefiting from the current movements in the markets and yield returns above inflation

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Equity investments:

2. Shares which have dropped more than 20% - most likely continue to fall
3. The crisis will slowly expand to other areas than banking, where the drops will be higher in percentages, as those stocks remained unaffected so far. (*Big Pharma, Auto, Heavy construction tools, Renewable Energy*)
4. Companies which took losses for more than 2 quarters in 2007 or in h1 2008, will eventually go out of business.
5. Businesses which require:
 1. high leverage,
 2. high efficiency in logistics
 3. overseas or high level of transportationwill play a larger role in the future market scenarios. Global operating companies will suffer from changes in transport cost and transportation environment.

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Money Market investments:

6. US Dollar debt at fixed rate might work out for foreign investors as Dollar exchange rate is set fall with increasing budget deficit – but its gambling!
7. Money Market funds will have difficulties to come up with good earnings, due to high demand and greater uncertainty. They will increasingly compete with central banks cash printing (injection)
8. State and local municipality bonds will default at high rate in many countries around the globe.

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Asset investments:

1. Gold and Silver will be good assets to hold on, and to protect from coming currency devaluation, but they are no good investments. They are a risk cover for life time savings with the potential problem of exchanging them at their real value. Keeping in mind that the official “Gold price” is only represented by paper on a future market. It is therefore not representative.
2. Assets which are under stress (real-estate) will come under more stress and further lose in value

DISCLAIMER

- This are solely my thoughts and for academic discussions only. - They are not recommendations.
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