5 Economic Dangers Every Investor Should Know About

Description

In today's globalized world, the actions of one country affect the performance of another. Most economies are intimately connected and when one falls, there's likely to be a domino effect of sorts resulting in several other countries getting impacted.

With everything that's going on in the world at the moment, the man who predicted the financial crash of 2008, Nouriel Roubini, is urging investors to be aware of a few economic dangers that are looming over financial markets. Mr. Roubini is the Chairman of Roubini Global Economics LLC and an economist and professor.

Below are each of the dangers he has on his radar.

1. A Euro crash: Economic data coming out of the Eurozone does not look pleasant. In fact, just yesterday, European Central Bank President Mario Draghi cut the Eurozone growth forecasts for 2014 through to 2016 and said the latest economic data indicated lower inflation and growth. Mr. Roubini believes there is a "very real risk of deflation looming" and thus the region might become a destabilizing force for the rest of the world.

2. Japan's decline: The numbers clearly indicate that Japan's economy is on a serious historic decline. Many economists believe that the economic policies advocated by Japanese Prime Minister Shinz? Abe since December 2012 — based up "three arrows" of fiscal stimulus, monetary easing and structural reforms — are failing. Roubini says the so-called Abenomics seems to be causing consumers to be squeezed, economic hardships to rise, and leading Japanese corporations to give up on their domestic market.

3. China slowdown: China's economy continues to show more weakness. This increases pressure on the central bank to relax its monetary policy and add more liquidity into the market. Mr. Roubini says if the country's economic growth slows too much, it will severely affect commodities and trade-driven economies, like the U.S.

4. Geopolitical risks abound: There are plenty of geopolitical issues in the world today. Russia is increasing its hold over Ukraine, with the likes of another cold war brewing between Russia and the

West. And then, there's the Middle East, which has its own share of problems between ISIS and crude oil.

5. Dollar shock: Whether the strength of the U.S. dollar is positive or negative depends on which side of the fence you sit on. But as it continues to drive the American economy, Mr. Roubini says this upside could be limited by the crushing effect it has on emerging economies.

With that said, investors must be careful about where they put their money. Canadian investors should consider good quality, niche companies that have strong management and stable balance sheets. Within the financial space, companies like **Royal Bank of Canada** (TSX: RY)(NYSE: RY) and **Toronto-Dominion Bank** are quality franchises.

In spite of the Canadian banking sector posting weaker than expected results, investors should focus on longer-term trends within the sector instead of making this an earnings growth story. These banks have strong fundamentals that will keep them safe during slowdowns.

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1. Bank Stocks
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1. NYSE:RY (Royal Bank of Canada)
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Author
sandram