

**Trader**

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## Awareness is the key to successful investing

Markets worldwide had shown impressive gains since last March. Many pension funds, mutual funds and hedge funds had shown incredible results in 2009. Investors impressed by those results and driven by greed are rushing to invest their money with those funds. But they should be aware of economic environment worldwide, before investing. Otherwise they are risking getting hurt once again.

There is nothing wrong to stay on the sidelines, whenever you are late to the party. Sometimes the best trade is the trade you have never taken. Keeping this in mind let's take a little tour around the markets worldwide and headlines in the recent weeks.

First of all we cannot ignore the action in EUR/USD.



Recently dollar had shown impressive gains to euro, driven by concerns of sovereign debt of Greece, Spain, Portugal, Ireland and UK. Risk appetite is going down and carry trade which took place in 2009 is over. What does this mean for US economy? It will bring down the earnings of US multinationals by making US exports less competitive. This is the only sector of the economy which was supposed to strengthen economy. We can see this being reflected in the price action of US technology sector – XLK declined the most in SP500. And investors should know – there is no rush to pick up those stocks, since many of them on the record high levels, well above pre crises levels – Apple, Microsoft, IBM, and Intel. This is why all of them sold off right after the earnings announcements which were pretty good in general.

There are headlines of inflation in China and governments stepping in to take it under control. Banks were banned from financing new projects till the end of January, and there is the talk of China hiking interest rates sooner than later. Those news brought down commodities prices significantly – copper, oil, steel, fertilizers, wheat, gold all went down and companies involved in those business saw deep dive in their stock prices.



They might have sharp pull backs but investors should be aware of the longer term trend which may bring those prices lower. Governments worldwide are wrapping up their support they provided last year, inventories were replenished at the end of the last year – there is no real significant demand in sight from the consumers.

Unemployment is at its highest levels worldwide. Jobless recovery driven by government spending is coming to an end. Consumer is weak, there is no credit available and no jobs in sight, which pops a question what is next? Recent rally was primarily driven by cheap money provided by governments to the banks, mere fraction of it went into the real economy and most of it could be found in the market speculations. Recent strength in economy statistics tells us that governments worldwide will sooner than later hike the rates and bring the liquidity down. It'll bring all markets down.

There is no particularly good reason to buy stocks right at this moment. Investors should be aware of those risks around the globe. They have to evaluate their risk/reward which is to profit 3% or to lose 20%... In our opinion investors should stay on the sidelines these days or those with high risk appetite should take short positions.



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