

Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



Asset Bubble Investment Risk

It is getting increasingly difficult to find low priced investments. At the root of this issue is that the largest economies of the world have been printing money and driving down interest rates. The primary reason for this is that roughly seven trillion in assets disappeared with the 2008 market crash. The USA, European nations and Great Britain have done this to stimulate their economies. The problem now is there appears to be too much cash chasing too few assets all over the world. Our concern here is multiple asset bubble investment risks. We have previously speculated about the after effects of the collapse of the Chinese real estate bubble. Now we can add American Corn Belt crop land at \$10,000 an acre and \$240 million apartments in London. These asset bubble investment risks are not only germane to the individual investor but to all investors. What does a little [fundamental analysis](#) of this dilemma tell us?

An Interconnected World

My father was a small town businessman in Middle America. He remembered having lunch at the café across from his office shortly after the 1929 stock market crash. The consensus of the main street crowd as well as the farmers was that people losing all of their money on Wall Street had little to do with the lives of folks in the Corn Belt. It was only a couple of years later when previously employed hobos rode the rails and came to my grandfather's back door offering to do any sort of work for a bowl of soup and permission to sleep in the barn out back over night. My father burned corn in the stove in his small office because it was cheaper than coal. The world was more interconnected in the 1930s than small town America had imagined and it is hugely more interconnected today. A fall in the high end housing market in London will not just hurt the Arab prince or Russian tycoon who bought the \$240 million apartment. It will hurt the banks that provide credit for homes and businesses in the broader world. So, there are numerous asset bubble risks to think about. How does one use [investment risk management](#) to still make a buck and avoid being wiped out in the next downturn.

Pick the Most Stable and Desirable Economy

There may well be asset bubble investment risks everywhere but where will the fallout be less. And where are the odds better that current economic policy will succeed? The answer is, as usual, follow the money. Take a look at a snippet from the 2013 United Nations World Investment Report that we published in our article about [Foreign Direct Investment](#).

Foreign Direct Investment Comparison of 2007 and 2012 In Billions of USD Taken from the United Nations World Investment Report 2013

Nation	2007	2012
European Union	859	323
UK	200	71
France	96	37
Germany	80	67
North America, incl. Mexico	363	408
Canada	117	54
USA	216	329
Mexico	31	26
Japan	23	123
China	84	84
China, Hong Kong	62	83
South Korea	9	33
India	25	9
South Africa	6	4
Russian Federation	57	51
Brazil	35	-3

The flow of money changed after the market crash of 2008 and years later a different set of nations are attracting investment. The USA, Japan, South Korea and Hong Kong are top spots for foreign investment. There may be asset bubble investment risks everywhere but the stronger and more stable economies will weather any storm more successfully. As always do your own homework and do not find yourself bidding for an already overpriced asset because you are afraid of missing out. It could well be that you will be able to buy that same asset in a couple of years for half the cost!

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