

Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



Debt Default and Offshore Investing

Argentina defaulted on its sovereign debt obligations and markets across the world took a hit. What is the relationship between debt default and offshore investing, in Argentina, Latin America and the rest of the world? The first part of fundamental analysis is to research the issue. The Argentine debt default started more than a decade ago with the Argentine Great Depression. It lasted from the end of 1998 to the middle of 2002. In Argentina unemployment was widespread and there were riots. The economy shrank by a fifth and Argentina was unable to pay interest on sovereign bonds. In 2005 Argentina sought to restructure its debt and resumed payment on \$82 that it owed. Many bond holders agreed to devaluation of the debt that they held and in 2010 there was another restructuring of debt and ninety-three percent of bonds had been written down and bond holders were receiving payment

Holdouts Sue for Full Payment

Along the way a small percentage of bond holders refused a write down of their debt and have subsequently sued in US courts to be paid in full for their bonds. Other investors have picked up discounted bonds on the secondary market and are also seeking to be paid in full. Argentina lost in the courts and was unable to come to a settlement with bond holders. As of the end of July of 2014 Argentina is again in default on its sovereign debts.

Market Reaction

Markets have fallen around the world in response to the Argentine debt default. Our concern is the relationship of this debt default and offshore investing. Foreign direct investment tends to go where there is the most promise for profit and the best guarantees of long term stability. Argentina has limited imports and is hoarding dollars. Any foreign businesses in Argentina may have difficulty repatriating profits. As chaos seems to be spreading around the world similar situations may arise and similarly affect direct foreign investment. How about investing in stocks of foreign companies? If you purchased ADRs of a foreign company the price of the ADR could still fall in response to a situation like that in Argentina but the ADR is still trading in the USA and an asset held in the USA. An important factor here is offshore investment timing.

Invest when Things Look the Worst

Timing is often the most important aspect of successful investing. Get into an investment when prices are low and everyone is running for the exits. Get out of a stock when everyone is buying without thinking of fundamentals. In this case the relationship of debt default and offshore investing is that now is the time to look for bargains. The world is full of bad situations which may spell opportunity for wise investors. There is war in Gaza and Libya is

melting down into a set of squabbling fiefdoms. A civil war rages in Ukraine and Russia is starting to feel the sting of sanctions imposed by the West for its interference in the affairs of Ukraine, a sovereign nation. Pay attention and invest wisely.

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