The Best Assets for the End of the World!
27 July 2023

Dear reader,

Next week we will be discussing the debt problem of the USA and whether the rapidly accumulating interest payments, which are nearing 1 trillion US dollars, could potentially cause the economic powerhouse to collapse. If you haven`t yet, you can subscribe for free to make sure you don`t miss out.

In general, there are constant high risks in the financial markets. Besides the debt issue, geopolitics has been playing a significant role for the past 10 years. Investors are constantly seeking opportunities to invest at least a portion of their money in very low-risk assets. Therefore, I will now present you with a list of the most interesting options for portfolio protection:

- Gold: The classic choice! Widely recommended as the ultimate hedge and safe haven. Indeed, investors often turn to the precious metal when things get risky. We have covered Gold in a previous report which you can find here.

- Short-term interest products: Short-term money market instruments with a remaining maturity of fewer than 12 months are in demand. They offer high liquidity and adequate protection. For those speculating on a US default, it's better to avoid the US market and focus on European short-term options. Those who are generally skeptical about debts might find gold to be the best option.

- Volatility indices: The VIX measures fluctuations in the S&P 500. When the US index heads south, the VIX spikes sharply. This can be replicated using options or futures contracts. One buys cheaply during calm market phases and waits for a breakout. However, this should only be done if one has the appropriate knowledge of derivatives and can endure times of inactivity. The hedge fund "Universa Investments" specializes in this strategy.

- Bitcoin: Whether Bitcoin serves as protection remains to be proven, in my opinion. I tend to see it more in the "risk-on" category, meaning it performs better during good times than in crises. However, this might change in the future.

- Safe-haven currencies: The Swiss Franc should be mentioned first in this category. The US Dollar is also interesting but only if the USA is not the cause of the crisis.

- Short ETFs: Stay away! They are path-dependent and can be costly in the medium term, especially in volatile markets. Here's an example: Let's assume an index is at 10,000 points and falls 500 points or 5 percent. The Short ETF would rise by 5 percent. If the Index recovers by 500 points the next day and returns to 10,000 points, remaining unchanged, the Short ETF would fall by 5.3 percent since 500 points constitute a 5.3 percent increase relative to 9,500 points.

Conclusion

I believe that some form of insurance in a portfolio makes sense. For me, it's gold, some cash invested in short-term interest products through ETFs, and Swiss Francs.

Relying solely on insurances as doomsayers often advocate will not work. One must take risks, and those who invest in stocks for the long term will do very well. Any downturns should be seen as opportunities for further purchases, as was the case during the Corona crash for example.