

31 July 2015

## Weekend Reads for Global Investors: Bridgewater, the Financial Times, and Gold

By [Larry Cao, CFA](#)

Categories: [Economics](#), [Equity Investments](#), [Fixed Income](#), [Leadership, Management & Communication Skills](#), [Portfolio Management](#), [Private Wealth Management](#)



“Our views about China have changed.”

Those six opening words and the full report that followed by Bridgewater’s [Ray Dalio](#) received much attention around the world last week, from the front page of the *Wall Street Journal* to the Wechat Moments (similar to Facebook) of many retail investors in China. In a nervous market environment in which the

[Chinese government has reportedly been sending police officers to investigate short sellers](#), the report’s popularity probably was not what Bridgewater desired. Very quickly, [the firm sent out a statement clarifying its position](#).

As a veteran of the hedge fund industry and one of the most-watched hedge fund managers, Dalio certainly had a point when he observed in the original note that the most significant damage done by China’s stock market crash could be to the investor’s

psyche. Bubbles are almost always created when unsophisticated investors chase the market thinking it can only go in one direction, up. So the recent sharp declines across the Chinese stock markets on an almost daily basis dampened the hopes for a generation of “investors” looking to get rich quick.

Indeed, I did a search in my Wechat Moments and chat groups — the comments and postings by my friends, who include some of the smartest investors in China as well as others who have never bought a stock. The last posting that included the words “stocks up” was dated over a month ago. It’s also obvious across more public social media channels — those believed to be less influenced by the government — that there are hardly any bulls left. That leaves one wondering, though, what did Warren Buffet say investors should do “[when others are fearful](#)“?

Another important market development that I think investors around the world should pay attention to is [falling gold prices](#). Again, gold investors seem to be pessimistic all around. [MarketWatch](#) recently discovered research done back in 2012 by [Claude Erb, CFA](#) and [Campbell Harvey](#) that predicted poor gold returns following periods of high gold prices.

The chilling prediction Erb makes is that gold investors are probably in the “bargaining” stage, using an analogy from the [Kübler-Ross five stages of grief model](#). He thinks gold can go much lower from here! This is a situation where it seems even more difficult for anyone to apply the “when others are fearful” argument. Doesn’t it feel more like a value trap?

The last story I want to highlight came from the journalism world, where there is a saying: “Report the story, don’t become part of it.” Global financial news powerhouse the *Financial Times* and Nikkei broke that taboo when [the latter announced last week that it is buying the former](#). *The New York Times*, as usual, dug deeper and highlighted how the [management of Nikkei always adored the \*Financial Times\* and how much more successful Nikkei has been in terms of popularity and finances compared to its acquisition](#).

Below is a list of links from the paragraphs above as well as some of the other interesting reads I have come across in recent weeks. Happy reading and enjoy the weekend.

## Markets

- [“Giant Hedge Fund Bridgewater Flips View on China: ‘No Safe Places to Invest’”](#)

(*Wall Street Journal*)

- “Bridgewater Backpedals on China Call” (*Wall Street Journal*)
- “Bubble, Bubble, Toil and Trouble: When Authorities Buy Assets to Prop Up Markets” (*MaxKeiser*)
- “Nikkei to Buy FT Group for £844m from Pearson” (*Financial Times*)
- “Nikkei Vies for Global Clout with Splurge on the Financial Times” (*The New York Times*)
- “Opinion: Study Predicts Gold Could Plunge to \$350 an Ounce” (*MarketWatch*)
- “Gold Is Only Going to Get Worse” (Bloomberg)

## Investing

- “Opinion: Nouriel Roubini’s Secret for Beating the Market” (*MarketWatch*)
- “Debt Miracle: Why the Country that Borrowed the Most Industrialised First” (*Vox*)
- “5 Fintech Fears That Are Pure Myth” (*VentureBeat*)
- Does the US housing recovery have legs? “Apartment-Led Housing Recovery May Pack Smaller Punch” (*The Big Picture*)
- Managing investments is (almost) all about managing emotions. “Anxious Investors” (*AVC*)

## Emerging Markets

- Currency depreciation has delivered a serious blow to emerging market investors in the developed world. “Emerging Currencies Hit 15-Year Lows” (*Financial Times*)
- “Emerging Market Currencies Crash on Fed Fears and China Slump” (*The Telegraph*)

## The Soft Side of Business

- [“The Power of Mindful Leadership.”](#) (*Huffington Post*)
- Putting a few bullet points on a PowerPoint and then reading it out loud to an audience can’t really be called making a presentation.”[Create a Conversation, Not a Presentation](#)” (*Harvard Business Review*)
- [“4 Magical Business Lessons From ‘The Happiest Place on Earth’”](#) (*Entrepreneur*)

## And Now for Some Readings Truly for the Weekend . . .

- [“10 Reasons Why a Simple Lifestyle Reduces Stress and Benefits Your Health.”](#) (*Lifehack*)
- [“A Zen Master Explains Death and the Life-Force to a Child and Outlines the Three Essential Principles of Zen Mind”](#) (*Brain Pickings*)
- [“8 Things to Remember When Everything Goes Wrong”](#) (*Marc & Angel Hack Life*)
- [“22 Cheap Ways to Keep Cool During the Hottest Month of the Year”](#) (*WiseBread*)

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**Larry Cao, CFA**

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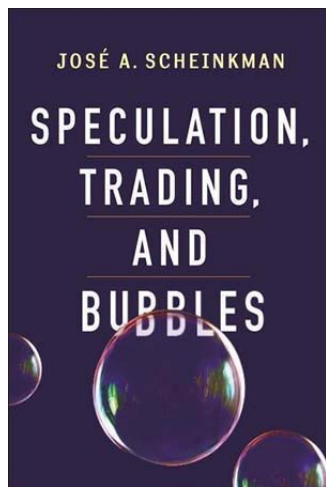
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