

Redefining Risk Amid Europhobia: Where Should Investors Put Their Money?

恐歐症下重新界定風險： 投資者們該把錢投向何處？

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Global stock markets have had quite a bumpy ride over the past year amid lingering worries over Greece as part of the ongoing Euro debt crisis. Many investors have sought haven in bonds.

In February, the Greek government passed new and tougher austerity measures in order to secure a second bailout of €130 billion from the European Union to stave off bankruptcy. This came despite European banks' agreement to a 50 percent write-off of Greek debts owed to them in exchange for Greece's pledge to implement huge spending cuts and tax hikes as part of the first bailout only four months earlier.

The Eurozone leaders, particularly the Germans and the French, were eager to help ease Greece's fiscal woes since their banks were loaded with Greek government bonds, and a Greek default could lead to a collapse in the entire European banking system.

Greece has so far avoided default by using the back door and in writing down Greek bonds at European banks on a voluntary basis. If the country had defaulted, the banks holding Greek bonds would have had to pay out billions more to the investors or institutions that had purchased Credit Default Swaps on the bonds as an insurance against default. These investors have not received any payment thus far and are therefore losing out.

According to *Reuters*, the largest issuers of CDS insurance include Barclays, Bank of America, BNP Paribas, Goldman Sachs, Credit Suisse, JP Morgan, Deutsche

Bank, Morgan Stanley, Societe-Generale and UBS.

The consequences of Greece's non-default can be seen in the current level of Italian bond yields. When Italy recently issued 10-year bonds, yields spiked higher. But many investors and banks that had purchased CDS insurance on their Italian bonds no longer trust the CDS market. Greece's actions have redounded upon Italy as well, and demand for products of Italian bonds has plunged.

A year ago, there was very little difference in Italian or German bond yield, but Euro-dollar investors are no longer treating all governments equally. German 10-year yields are under 2 percent, whereas Italy's rates are over 6 percent. Italy has a government debt-to-GDP ratio of about 120 percent. With a spike in borrowing costs, the next news stories to come out of Europe will likely be about the austerity measures of countries such as Italy, Portugal and Spain. The immediate risk to Europe may have been reduced, but pitfalls remain for the near future.

Europe is undoubtedly heading for slower growth or even a recession. Canada lost 54,000 jobs last month and recent data show that industrial production in China is slowing down. So what is an investor going to do?

The first place that most investors turn to is high-interest savings accounts or short-term deposits. In the past, I have warned friends and associates that short-term interest rates rising above long-term rates creates an incentive for investors to park their money

in cash, away from stocks and long-term bonds. But currently, we have the opposite rate environment.

With cash yields of just 1 percent or less in say Canada and a current inflation rate of 3.2 percent as per www.bankofcanada.ca, cash is providing a guaranteed real return of minus 2.2 percent. Canadian bonds provide yields of just 2.1 percent for 10 years and 2.8 percent for 30 years, both below the current inflation rate. This might be a good time, however, to remind investors that interest rates cannot stay at such low levels indefinitely. When interest rates do rise, bond prices will fall. A 2 percent rate rise in long-term bonds would equate to a roughly 34 percent price decline in long-term bonds. Therefore, the 2.8 percent yield is of little consequence when bond prices eventually tank.

Some market watchers have recommended preferred shares. While some of those shares have gained 20 percent to 30 percent in value, other issues are now priced in bubble territory. The preferred shares most vulnerable to price declines are in the fixed-floater sector. Investors who bought these as new issues have been receiving attractive dividends of 4 to 5 percent for the past two to three years. But the dividend rate will be reset after five years, thus presenting a risk. If interest rates stay low, the dividend will drop dramatically on the five-year anniversary of the issue. With many preferred issues due to be reset in 2013, preferred shares are vulnerable to drops of 20 percent to 30 percent.

What defines a portfolio as conservative, balanced or growth is asset allocation – in

other words, the percentage of one's funds held in cash, fixed income or stocks. In the past, cash equivalents such as Guaranteed Investment Certificates (GICs) would pay an investor 3 percent above inflation, but the current real yield is negative. Long-term government bonds are thus vulnerable to decline at some point.

Many investors are turning to high-yield bonds or bond funds, which is a code for junk bonds. While investors may feel good about a juicy yield, keep in mind that a firm which needs to borrow at 8 percent is not all that safe. Many corporate bonds traded at prices of 50 cents on the US dollar between 2008 and 2009, which did not protect them against market declines. I believe junk bonds are now overvalued and do not reflect the global economic risk.

This leaves us with stocks, which have historically been viewed as the riskiest part of one's portfolio. But some stocks, such as consumer staples and utilities, may in fact be much less risky than many fixed income alternatives. Companies like Coke, McDonald's, Johnson & Johnson, Verizon or General Mills have been able to achieve decent profit growth while increasing dividends, despite the great recession.

Johnson & Johnson, for example, has a better credit rating than the US government, let alone the Greek or Italian government. In fact, US dividend-paying companies are now looking more appealing than other investment sectors. Amid such volatile economic times, we need to rethink the traditional ways of defining fixed-income investments as low risk and equities as high risk if we are to continue building low-risk portfolios.

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年，一直持續的歐洲債務危機中的希臘經濟問題餘波未平，國際股票市場大幅波動。許多投資者都通過購買債券避險。

二月，希臘政府採取了新一輪更為嚴苛的財政緊縮政策，以期獲得歐盟提供 1300 億歐元援助資金而避免破產。儘管就在四個月前的第一輪救援中歐洲各大銀行已同意減免希臘所欠債務 50%，而希臘在此條件下承諾大幅削減其政府開支及增加稅收。

歐元區的領導人，特別是德國及法國，急切希望能夠減輕希臘的財政困難，因為兩國的銀行大量購買了希臘的政府債券。如果希臘政府無法償還債務，將導致整個歐洲銀行系統的崩潰。

目前希臘通過後門融資及歐洲各大銀行自願減低所持希臘的帳面價值等措施避免債務違約。一旦希臘政府違約，持有希臘債券的銀行將必須向購買了信貸違約掉期保險（以下稱 CDS 保險）的投資者或金融機構多支付數十億歐元。但投資者至今仍未收到保險賠償，以致蒙受損失。

據路透社報導，信用違約保險最大的發行商包括巴克萊銀行、美國銀行、法國巴黎銀行、高盛、瑞士信貸集團、摩根大通、德意志銀行、摩根士丹利、法國興業銀行和瑞士聯合銀行集團。

希臘避免債務違約的後果甚至影響了意大利政府債券目前的投資收益率。意大利最近發行了 10 年期的債券，收益率進一步提高。但是很多對意大利債券購買了 CDS 保險的投資者和銀行都不再信任 CDS 市場。希臘的做法已經對意大利產生了反作用，市場對意大利債權產品的需求急劇降低。

一年前，意大利和德國的債券在投資收益率方面並無明顯差異。但是持有非美國境內銀行美金存款的投資者們不再對所有政府一視同仁。德國債券的 10 年收益率低於 2%，而意大利的收益率則高於 6%。意大利政府的債務與 GDP 比率約為 120%。隨著借款費用上漲，歐洲接下來的新聞事件將可能是關於意大利、葡萄牙和西班牙等國採取的財政緊縮政策。歐洲當前的風險已平緩，但是未來短期仍有隱患。

毫無疑問，歐洲的發展已放緩甚至開始經濟衰退。上個月加拿大 5.4 萬人失業，而最新的資料顯示中國的工業生產也在放緩。那麼投資者該怎樣做？

大部分投資者會轉向的第一個選擇是高利率儲蓄帳戶或短期存款。過去我曾經告誡朋友和同事，如果短期利率上漲已超過長期利率，將會刺激投資者將資金轉持現金而非股票或長期債券。但是現在是相反的利率環境。

根據 www.bankofcanada.ca 網站公佈的資料，加拿大的現金收益僅為 1%，而目前通脹率為 3.2%，現金提供的保證實際收益為 -2.2%。加拿大債券 10 年僅有 2.1% 的投

資收益率，30 年收益率僅為 2.8%，均低於目前的通脹率。也許這也恰恰提醒了投資者，利率不可能一直低企。當利率上升時，債券價格將會下降。長期債券收益率上升 2% 等同與長期債券價格降低 34%。因此，當債券價格最終下降時，2.8% 的收益率其實意義不大。

某些市場觀察家推薦購買優先股。儘管部分優先股價值增長了 20% 到 30%，但其他的發行價卻存在泡沫。最容易受價格下跌影響的優先股是固定 - 浮動利率類。投資者們購買此類新發行股票，在過去兩三年獲得了上佳的 4% 到 5% 的股息。但是 5 年以後股息率會被重定，因此出現風險。如果利率維持低企，優先股發行 5 年後股息將會劇減。2013 年很多優先股都將重新確定股息率，優先股很有可能會下跌 20% 到 30%。

保守型、均衡型或增長型的投資組合是通過資產分配來定義的 - 換句話說就是個人持有的現金、固定收益或是股票的資金比率。過去如保證投資證書 (GICs) 一類的現金等價物可以為投資者帶來高於通脹率 3% 的收益，但現在實際卻為負收益。因此，長期政府債券在未來可能較易下跌。

很多投資者轉向購買的高收益債券或債券基金，實際都是垃圾債券。儘管投資者比較滿意其高收益率，但應該記住一家需要以 8% 利息借貸的公司並不是那麼安全。2008 和 2009 年間，很多公司債券都以 50 美分的價格進行交易，但這也沒能避免市場行情下跌。我認為垃圾債券現在定價過高，而且沒有反映出全球經濟風險的狀況。

這樣能投資的就只剩股票了。股票歷來都被看作是個人投資組合中最具風險的部分。但是，有些股票，例如日常消費類股和公共事業股，實際上比很多固定收益的投資風險更小。在經濟危機的大環境下，可口可樂、麥當勞、強生、威瑞森或通用磨坊等公司一直都能夠達到不錯的利潤增長，同時也增派股息。

例如，強生公司的信用評級比美國政府還高，更別說和希臘或意大利政府相比了。事實上，現在美國支付股息的公司比其他的投資領域都更具吸引力。當下經濟情況如此變幻莫測，如果還要保持低風險的投資組合的話，我們應該重新審視以前將固定收益投資定義為低風險而並將證券投資定義為高風險的傳統思維。