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“When the Levee Breaks“ Discusses Where the Next Asset Bubble May be Forming

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In my opinion, it appears asset bubbles in real-estate, stock and currency markets, especially in Asia, are a concern. The major reason for that is the very low interest rate of the US dollar and the fact that some economies in Asia that are rebounding faster out of the global downturn are helping investors to borrow in dollars and invest in real-estate, stock, and currency markets. According to the Wall Street Journal, the World Bank warned in November 2009 that the sudden reappearance of billions of dollars in investment capital in East Asia is "raising concerns about asset price bubbles" in equity markets across Asia and in real estate in China, Hong Kong, Singapore and Vietnam. Also in November 2009, the International Monetary Fund cited "a risk" that surging Hong Kong asset prices are being driven by a flood of capital "divorced from fundamental forces of supply and demand."

As several economies around the world pumped money into their countries' financial system to minimize the impact of the global slowdown, the economies that are rebounding have a tendency to overprice assets. These countries need to take a closer look at their policies to avoid the risk of another localized asset bubble.

About The Author



Mr. Machado is the new Managing Partner, Latin America for Opus Global Group, LLP. With over 25 years of experience as a former CIO, VP, consultant and international M&A executive with achievements in CXO level positions for IT, Strategic Development, Product Design, and Advanced Business Intelligence. Working with the CEO in developing management consulting and business advisory sales opportunities and service delivery options for Latin America (LATAM), initially targeting mergers & acquisitions (M&A) advisory services. Although the area of opportunity is for the entire LATAM, OGG is targeting primarily Brazil, Argentina, and Mexico for 2010

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