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Don't be Fooled – It's NOT Over Yet!

Reading of his supposed death, Mark Twain commented that those reports were premature – so are the obituaries for the Global Financial Crisis (GFC), says Adelaide based financial strategist Theo Marinis.

"I believe that the recent rebound of the investment markets should not be a reason for a return to complacency or euphoria, despite the opinions of some commentators, because we are in for a tough time ahead," Theo said.

"It is my opinion that the world economy, including Australia, remains at serious risk of facing the toughest economic conditions yet to be experienced by the baby boomer generation. The risks of real unemployment reaching double figures, deflation and / or inflation (as the jury is still out on how this may pan out) eroding the value of assets, remain very real."

"Economic forecasts which pointed to the 'doom and gloom' we were facing twelve months ago as the GFC began to unfold were not understated; moreover, what had not been taken into account was the massive government (deficit) funded stimulus (said to be equivalent to total expenditure on World War II), required to mitigate the effects of the crisis.

"In addition, the regulatory reforms needed to restore fundamental integrity to markets (particularly overseas) are yet to be satisfactorily addressed. As a consequence, the inconsistencies which brought us to this point continue to remain part of the economic cycle."

"Looking to the short to medium term, I believe that the best case scenario (to borrow a term from aviation) is a rough landing. By this I mean that in my opinion, the current strength of the investment markets will not continue and trading will be in very tight bands. To continue the analogy, I suggest that investors should keep their seatbelts on low and tight - although thanks to central bank largesse, there no longer appears to be a need to adopt the emergency brace position!

"I am advising my clients, therefore, to remain highly cautious in the current conditions. They need to ensure that they have a "Marinis buffer" in place to enable them to have cash to ride out the difficult times ahead. In addition, they should keep in close contact with their financial advisers to ensure that any necessary portfolio changes can be made quickly and efficiently."

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