



## Do Events in Countries Like Spain Really Affect Your Investments?

Separatist movements in Europe threaten the stability of the second largest economy in the world, that of the European Union. The most recent issue is a vote for independence from Spain by people in Barcelona and the province of Catalonia. But, do events in countries like Spain really affect your investments? There are two factors here. One is that if you have **foreign direct investments** in nations like Spain you should pay attention. And if you are invested in European stocks you should care also. But what if your investments are entirely onshore? Then do events in countries like Spain really affect your investments?

### Direct Investment Offshore

We have written about foreign direct investment.

*Follow the money is age old advice for knowing why something is happening. In this case we would like to follow the money that goes into foreign direct investment. Foreign direct investment is done by folks with lots of money and the intention to stay a course and make a profit. If you are looking for offshore investment ideas, take a look at where foreign direct investment goes year after year after year. There have been changes afoot regarding where foreign direct investment is going. A very useful reference in this regard is the just published United Nations study, World Investment Report 2013.*

Fundamental analysis of these investments is essential and when voters in Barcelona want to opt out of Spain you need to know how that might, or might not, affect your investments.

### European Stocks

Stocks in Europe have done well lately and we wrote about whether or not **European stocks are set to boom**.

*A lot of money is moving out of US stocks and into European stocks simply because the US market is priced too high and European stocks are comparatively cheap. The Brexit hurt European markets but investors have adjusted and the EU does not appear to be going away. And Europe has not had to deal with the hype of a return to Reaganomics that has been inflicted on US markets.*

When investments in Europe appear more stable and more profitable money will flow into those markets. However, the separatists in Britain won with the Brexit and that has encouraged others including Spanish subcultures such as the Catalan and Basque to seek their own niche. The EU is the other biggest economy in the world roughly equal to that of North America. The original purpose of an economic union was to prevent yet another war in Europe but the result has been a large free trade zone. That free trade zone will but hurt if successive sub groups exit from the whole. If you are invested in European stocks you should be concerned about what happens in Spain.

### **An Interconnected World**

The USA and EU are each other's largest trading partners and according to *Eurostat*, the **EU and US form the largest trade and investment relationship in the world**. The USA runs a surplus of exports over imports with the EU so US companies should be interested in a healthy EU economy and a stable euro. Thus for American investors, events in countries like Spain do really affect our investments.

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