



LET'S TALK ABOUT...

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Safe haven

In the financial jargon “safe havens” are types of placements that investors choose in times of uncertainty, market turbulence, financial and geopolitical crisis, in order to protect their assets from the impending risks. The concept of safe haven, in such a sense, may be relative, according to different historical moments, market conditions and the investor’s profile. Traditionally sovereign bonds have been supposed as safest, exempt from default risks (although not devaluation risks), but now their full and on-time reimbursements are no longer so sure, due to the dramatic debt burdens in many countries. So far the German Bunds may still hold the “safe haven” status, whilst the US Treasury Bonds and Bills are wavering. Real assets are safe havens *par excellence*, as they are pretty uncorrelated with market trends and can keep intrinsic values through the time, even in periods of money devaluations. That is the case for most commodities, property and real estate (although they may be taken in local bubbles and suffer sudden price falls). Precious metals are traditional safe havens, gold in particular, and its hedging properties are widely employed by many investors in the current market phase. Of course if gold is not purchased in a “physical” form, but through some proxy financial instruments, the investor may be confronted with some risks. However products exist which allow the metal’s physical delivery on request. Another major safe haven is the Swiss Franc, which is purchased in critical times due to its good fundamentals, in terms of institutional stability and better than average economic and financial performances, despite its tight capital market and the less than meagre yields. If we go beyond the most common range of safe havens, we may include other real assets which keep high values in limited volumes: that is the case of investment diamonds with special clarity and size features, or art objects, which are however subjects to periodical fashion trends, not to say of uncertainties in their pricing and high trading and maintenance cost, so to put them out of the reach of many investors. - *GLT*

The views expressed are not necessarily those of the Swiss Association of Asset Managers
