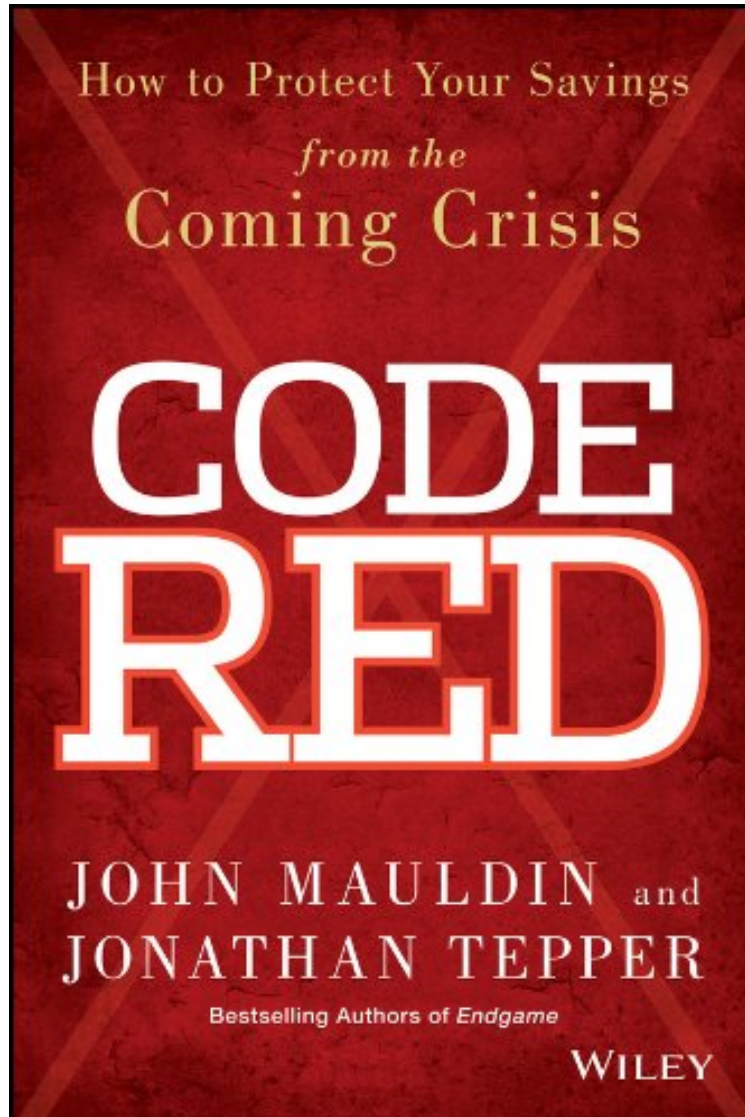


[Free pdf] Code Red: How to Protect Your Savings From the Coming Crisis

Code Red: How to Protect Your Savings From the Coming Crisis

John Mauldin, Jonathan Tepper
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John Mauldin, Jonathan Tepper : Code Red: How to Protect Your Savings From the Coming Crisis before purchasing it in order to gauge whether or not it would be worth my time, and all praised Code Red: How to Protect Your Savings From the Coming Crisis:

182 of 187 people found the following review helpful. Another Book Review from the Aleph Blog By David Merkel This is a tough book to review. It is correct in analysis of what went wrong, but overpromises in what its main goal is -- protecting assets before the next financial crisis. Let me take a step back, and describe the structure of the book. A major goal of neoclassical macroeconomics is to try to eliminate the business cycle, and end up with smooth growth that minimizes unemployment. As a result, central bankers, since they have a freer hand than politicians, as

they are appointed, not elected, act to try to stimulate demand by lower interest rates. They did that from 1982 to 2008, until they came to the bottom rung of their ladder, and realized they could go no further. Thus "Code Red" -- a situation that is an emergency. Many central banks felt they needed to act in an emergency to create liquidity to pump up economies with significant financial bankruptcies. Would it work? When the central bankers started, all they had was theory, and Japan. Japan had tried out their theory, and it did them no good. The academics argued that Japan did not do it right, and sadly, one was the Chairman of the Fed. Would that Bernanke had done his Ph.D. dissertation on another unrelated topic. Some historical accidents are real killers, and this was one. (As an aside: always be wary of academic researchers that have a lot invested in an idea. They cease to be neutral, and cause contrary data to be ignored, because you can always find a method to twist the data.) Anyway, that is the first and longer part of the book explaining how bankrupt, untested theories led us to a situation where debt levels are high with governments, and central banks are ultra-loose. In such a situation, nations will try to weaken their currencies to gain a nominal advantage over other nations, so that they can export more. Eventually, it could lead to a currency war of competitive devaluations, or worse, a trade war of competing tariffs. If central banks cooperate with their governments, they can repress people financially, making the rate that they can invest in with safety to be lower than the inflation rate. The authors believe that governments will try to do that and eventually fail, because credit creation will eventually lead to significant inflation. One virtue of the book is that it shows that economists with influence over policy don't know what they are doing, but make a bold show of it. Particularly telling is Bernanke on page 135 saying the Fed can mop up excess liquidity at the right time, and he is 100% confident of that. The Fed has never succeeded at that before, so who is he kidding? The second half of the book deals with how to protect your assets -- half is generous here, because it is 25% of the book. It goes over the permanent portfolio idea of Harry Browne, and then a series of non-solutions in Chapter 10, essentially arguing that diversification is called for. Chapter 11 argues for inflation protection through buying shares of companies that have moats, such as: * Valuable Intellectual Property * Benefit from strong network effects * Are low cost producers * Have lock-in, and customers can't switch easily * Natural monopolies and monopolies of market niches These are good ideas, in my opinion, but difficult to continually implement. The book gives companies that presently fit the ideas of the authors, but updating it, and knowing how to trade it is tough. We've been through eras like the early '70s, where companies like this have cratered, so this strategy does not come without the possibility where it becomes too popular, and gets abandoned. Chapter 12 goes through commodities and gold, and is bearish on them, arguing that the commodities supercycle is dead, and that gold is tied to real interest rates. In short, the second half of the book is thin. If you are looking for protection, maybe the book should have said, there aren't a lot of great ways to seek protection against the monstrous economic policies of the developed world and China, but that wouldn't have sold many books. Quibbles I disagree with the first chapter that we had to have bailouts. The government could have protected regulated subsidiaries of the banks, and derivative counterparties, and let the holding companies fail. I also disagree that we had to have abnormal monetary policy to stem the crisis -- so long as there is a positive yield curve, there is stimulus, but once you get down near zero, perverse effects kick in. The rest of my disagreements are already expressed. To summarize: the first half of the book is good, but the second half is thin gruel if you want to protect your assets. Who would benefit from this book: If you want to understand the causes of the crisis this is a great book to buy. For protection of your assets, it will give you a few ideas, but no solution. 52 of 53 people found the following review helpful. Central banks are out of ammo, bad things are likely to happen, diversify and guard against inflation.... By Andrew Thorby The book essentially comes in two parts. The first is a solid analysis of the state of the global economy with regard to pervasive imbalances in the finances of governments around the world and the extreme measures currently being taken by central banks in order to keep the system from essentially imploding. This is the "bad things are going to happen" part of the book. The second part "and now we're going to tell you what to do about it" is almost laughable. The authors essentially advise the reader to maintain a balanced portfolio and guard against inflation. Excellent advice for any investor but not something you need to write a book about. 115 of 117 people found the following review helpful. Engaging Exposition of Uncharted Financial Waters By Pablo Fredorico Written in a comfortable conversational style, (with many entertaining apropos quotes from mainstream pop culture as well as eminent economists and philosophers from the past) Code Red exposes what makes the current situation unique in the history of fiat currencies. The new and somewhat scary methods of central bank economic influence, Quantitative Easing (QE) and long-term zero interest rate policy, (ZIRP) have never been tried before. So far it has worked, staving off what would have certainly been a crippling deflation. But once you start QE it isn't clear how you stop. And the longer it goes on, the bigger the potential problem becomes. As long as QE continues (and it's not clear it will ever stop): * The bigger the tinder box of low velocity reserves on bank balance sheets will become. The authors point out that just because this money hasn't been lent out to chase goods and service prices higher in an inflationary spiral for the past three years doesn't mean it can't. Just because gunpowder hasn't exploded, doesn't mean it won't, doesn't make it safe. * The steady climb in asset prices engendered by central banks has been orderly, but is inherently destabilizing. Their analogy of a tall sand-pile, built ever higher grain by grain... The taller it becomes, the less stable it is. Sure it looks stable, standing there stationary as can be, but when perturbed by another grain of sand it is very difficult to estimate how big the avalanche might be. But one thing we can predict, the taller the sand-pile, the

more the central bank policy pumps up asset prices, the better the chances are that we will see large disruptive avalanches.* The central bankers cannot acknowledge this instability. In large measure their job is to engender confidence. So when they say with 100% certainty all is 100% under control we'd be wise to take their assurances with more than a grain of salt. Also new is the shift of central banks moving away from their historical short-term counter cyclical role into a long-term one sided financing of government debt and deficits. In the U.S. and around the world, esp. Japan, central banks are straying from their mandates. Engaging in de facto long term fiscal policy stimulus. Dealing with unsustainable debt by printing money (or by more debt depending on how you look at it). All this against the back drop of globalization, currency wars, and deflationary population and inequality of income trends. Lots of new moving parts. No one knows how this will work out. But it obviously has the potential to be messy. Finally the book offers a sensible approach to investing in the current environment. Which frankly is not all that different than in more typical circumstances... a diversified portfolio consciously avoiding the typical wealth destroying behaviors of trading without expertise, home bias, etc.. The main difference is an investor would be prudent to be more conscious of inflation risks and volatility than typical. Despite strongly discouraging non-professionals from trading rather than long term portfolio construction, he also talks about investing opportunistically in the aftermath of crises, keep some cash as dry powder and buy assets that are irrationally reviled when there is blood in the streets. He also likes gold but didn't harp on it in a way that was tangential or distracting to the general theme of the book. I like his approach. He discourages the masses from trading, but then gives them some good advice, if they must. A couple of peccadillos... I felt he was a little hard on central bankers and economists whom he portrayed as generally clueless. But that sort of invective has become de rigeur in pop-economics and much of the audience expects and enjoys it. Also the implication that rising interest rates causes higher money velocity instead of having merely been historically correlated IMHO seems tenuous. As a former hedge fund CEO and CFA charter holder, most of the material was already broadly familiar to me. But the well researched detail and readability made the book a pleasure to read and learn from. Gave four stars instead of five because the title "Code Red: How to Protect Your Savings From the Coming Crisis" is misleading. It really isn't about that. More accurate would be the less catchy "Code Red: Why Current Central Bank Policies are Different and Dangerous".

Wall Street Journal Bestseller Valuable insights on monetary policies, their impact on your financial future, and how to protect against them Written by the New York Times bestselling author team of John Mauldin and Jonathan Tepper, Code Red spills the beans on the central banks in the U.S., U.K., E.U., and Japan and how they've rigged the game against the average saver and investor. More importantly, it shows you how to protect your hard-earned cash from the bankers' disastrous monetary policies and how to come out a winner in the irresponsible game of chicken they're playing with the global financial system. From quantitative easing to zero interest rate policies, ZIRP to the impending currency wars, runaway inflation to GDP targeting, authors Mauldin and Tepper achieve the impossible by not only explaining global monetary policy and its consequences in plain English, but also making it compelling reading. Outlines time-tested strategies for surviving and thriving in these tumultuous times Addresses how issues such as quantitative easing, financial repression, currency wars, bubble economies, and inflation impact our everyday lives as well as our financial future Written by a team of bestselling authors and experts in this dynamic field How did we get here and where are we headed? What can you do to insulate yourself against, and profit from, economic upheaval and secure your financial future? Find out in Code Red.

ldquo;If you read only one book on finance this year, make it Code Red: How to Protect Your Savings from the Coming Crisis, by John Mauldin and Jonathan Tepper, authors of the bestseller Endgame, which delved into the 2008 collapse.rdquo;mdash;Forbes magazineFrom the Inside FlapWe're all guinea pigs in a grand monetary experiment being performed by the world's central banks. Quantitative easing, zero-percent interest rates, nominal GDP targeting, and other "Code Red" policies introduced by central bankers to pull the global economy back from the brink of collapse have remained in place long past their expiration date, setting the stage for potential disasters ahead. While the outcome remains unclear, the fallout from the grand experiment is already affecting our quality of life and future prospects. While the wealthy continue to see their wealth soar to all new heights, real economic growth remains elusive and the standard of living is in decline for the majority of us. Savers now receive close to zero-percent interest on their savings, while the price of gasoline, rent, and groceries climb steadily. With government bond yields now trading well below the level of inflation, those who rely on pension funds and bonds for their retirement are being forced to seek whatever jobs they can find to help make ends meet. At the same time uncertainty is now the rule in the financial marketsmdash;especially in the emerging marketsmdash;and in a process authors John Mauldin and Jonathan Tepper liken to "picking up dimes in front of a steamroller," investors are chasing after riskier and riskier investments in pursuit of some small return on their investments. In Code Red, John Mauldin and Jonathan Tepper perform an amazing feat: not only do they bring monetary policy down to earth for the average saver and investor, they make subjects such as quantitative easing, financial repression, currency wars, bubble economies and inflation, and their impact on our everyday lives and financial futures, compelling reading. Just as importantly, they arm you with time-

tested strategies for surviving and thriving in these tumultuous times. You'll discover how to spot and capitalize on market bubbles. And you'll learn proven money management techniques for insulating yourself against inflation, reducing risk through diversification, profiting from precious metals, commodities, and other real assets through managed futures funds, and more. At this point it's anybody's guess if current monetary policies will succeed in creating sustained growth or if they will fail miserably leading the world into high levels of inflation. What is certain though is that those policies are producing all sorts of unintended consequences—most of them bad for the average saver and investor. Read Code Red and find out what the central bankers would rather you didn't know and how to protect your savings from the coming crisis.

From the Back Cover: Praise for Code Red "Code Red brilliantly exposes the myth that the unconventional policies that global central banks have pursued since the financial crisis ended will ultimately be successful in generating the holy grail of escape velocity they so desperately seek. With history on their side, Mauldin and Tepper provide layers of evidence proving that the Code Red monetary policies will more than likely end up creating a cycle of inflation that few are braced for. The economic and financial sands are shifting under our feet as a result of the unprecedented global monetary experiment aimed at bailing out debtors at the expense of savers. The good news is that Mauldin and Tepper don't merely identify the symptom; they also have come up with solutions for retail investors, portfolio managers, and professional traders as to how to prepare for this transition, from the prior years of deflation to the current reflation to what comes next, which is inflation."

—David Rosenberg, Chief Economist and Strategist, Gluskin Sheff + Associates Inc. "Central bank policies impact many aspects of our economic life. Mauldin and Tepper pull back the curtain and explain in clear and simple language what central bankers are actually doing and why."

—Mohamed A. El-Erian, CEO, PIMCO "After reading the highly entertaining and informative Code Red, I can assure you that neither Jonathan Tepper nor John Mauldin will ever be appointed to be Federal Reserve Board of Governors. This is why this book is so valuable and why you should read it."

—Marc Faber, Marc Faber Ltd. "John Mauldin has a golden Rolodex, and he uses it to share insights from the investing greats of our time."

—Barry L. Ritholtz, Chief Investment Officer, Ritholtz Wealth Management "A thought-provoking and enjoyable read. Cheap money may not be the root of all evil, but it certainly has responsibility for a considerable part of our current ills. This book offers a timely warning on the 'no way back' dimension of much of the activity central bankers are promoting. We passed the last exit to Brooklyn long ago, especially in Japan, where, as the authors make clear, a most dangerous experiment is being conducted with likely consequences that most policymakers are not able even to comprehend, let alone foresee. In a world where getting through to tomorrow is the watchword, this book may not help the reader sleep better at night, but it will prepare him or her better for the world that is to come the day after tomorrow."

—Edward Hugh, independent economist, blogger, and contributor of A Fistful of Euros "When you seek strength, you read the Holy Bible. When you want entertainment, you go to Broadway. When you want to learn about the economic big picture, you read John Mauldin— one of the most connected, important, informed, and intelligent market mavens on the Street today. And, he's genuinely a nice guy."

—Rich Yamarone, Chief Economist, Bloomberg "Jonathan Tepper and John Mauldin analyze the current 'monetary arms race' and its likely disastrous conclusion."

—Christopher Wood, Chief Equity Strategist, CLSA