# Why You Should Avoid European Bonds

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In the past few days new interest rates have arisen on the market, which some media are celebrating. For you and for any other investor, the current interest rate is frustrating. Therefore, it is all the more important to look closely. The new interest rates are - in the alleged - on the market for government bonds. **I am Sceptical. Other facilities are better.**

**Portugal: Climbing returns**

At the moment, a bond from Portugal is expected to be excellent, so we could hear it. **2.2% return are more than the bank you currently offers.** The bond runs until 2022 and is in the sense that Portugal is in the euro zone.

Portugal is currently not one of the absolute crisis countries in the euro zone. Italy and Greece, and even France, currently have a poorer press and, in fact, are actually facing the collapse. While Portugal has a high debt of 130% of the gross domestic product, the European Central Bank (ECB) could still be a buyer.

**But the risks are great**

We are talking about a five-year waiting period in which the eurozone can almost collapse at any time. **Since the beginning of April, the ECB has still bought bonds worth EUR 60 billion, monthly. So that is 540 billion euros, which then the central bank actually new to the market pumping.** Just to save some states and few companies or to help them at least.

If interest rates were to rise one day despite such rescue operations, the situation deteriorated immediately. The EUR 60 billion, which is urgently needed on a monthly basis, costs EUR 0.6 billion at a market rate that would rise by 1 percentage point, or EUR 5.4 billion per year at EUR 540 billion. Now these bonds have already been bought, but the purchase program for bonds will continue at around this scale in 2018 as well.

**Interest rates are rising, prices are falling**

You can see how much leverage is behind interest rates. Return to the Portugal bond or other government bonds. If such countries are heavily indebted and interest rates are rising, the prices of the bonds already on the market fall immediately. As a compensation for the market, so that the bonds remain tradable at all.

**That would mean for you both in the Portugal bond and in all other bonds of such countries that you could only sell with a price loss. This is why the risk of purchasing government bonds from the euro zone is currently extremely high** . If you were lucky, you might as an investor be able to get out of the money without damage. So do not make any losses.

This again bites itself with the development of inflation. The official inflation rate is currently climbing by about 2% per month. This is still low, but it is enough to make you poorer when you have such government bonds with a zero return in the depot.

**Fingers away from these bonds**

Therefore you should leave the fingers of government bonds from Europe. Even Italian or Greek bonds, which bring even more interest, are a bad business. Corporate bonds can hardly pay off as interest rates rise. **Finally, even funds with bonds, so-called pension funds, are currently too risky.**

In the current interest situation, if you do not invest very long-term, you simply have to do without bonds. As an alternative, there are still gold opportunities next to stocks. The price is about 1.260 dollars / ounce. Dealers and analysts are under the precaution that gold is at least 10% low.

**We do not know whether the prices will soon be rising. However, even with rising interest rates, gold is much safer than interest-bearing bonds.**

Tell us how you rate the interest rates.