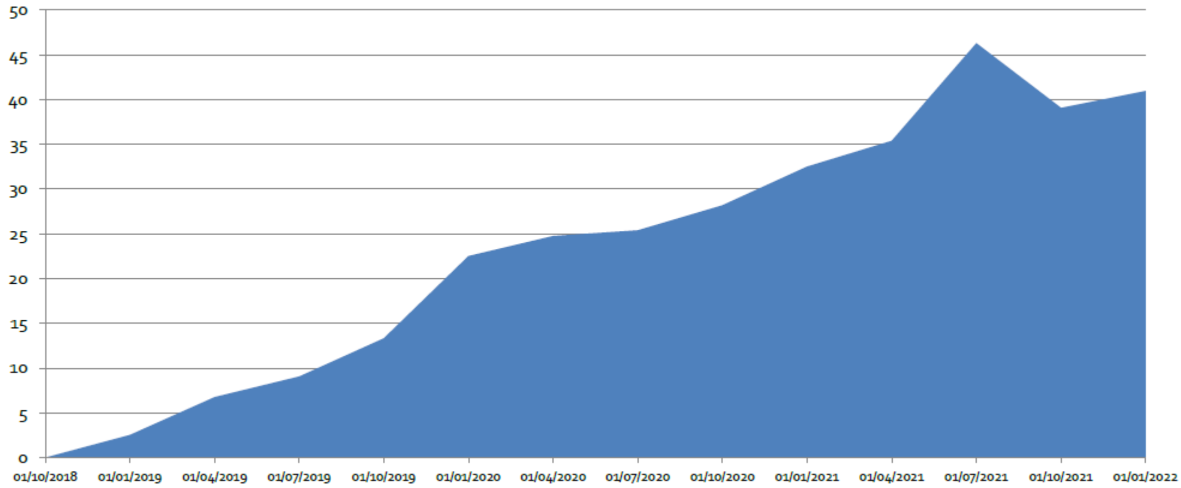
The RIO Currency Concept Account lost a little ground in the fourth quarter. This investment is now positioned for a Sterling rally, having bought into the fall of Sterling over the past two quarters.




Looking forward, Sterling will benefit as the Bank of England continues to raise interest rates; it will further benefit should we see the opening up/ lifting of pandemic restrictions in the coming months. Britain, or at least England, should soon be fully back to work.

Since its launch, the Currency Concept Account has bagged net returns of 40.95%. This investment has what is almost a perfect record, recording eleven gaining quarters out of the twelve filed to date.

During the last two quarters, the GPB/USD exchange rate has seen some interesting movement; it had originally stood at 1.3778 at the start of the third quarter. Sterling rallied through most of July, which presented me with the opportunity to sell, which I did at 1.3885 on Friday the 30th of July. I sold Sterling again, taking profits at 1.3870 on August 9th, with both trades securing gains.

But as we moved through the third quarter, the Pound came under pressure when Boris Johnson had suddenly announced that he intended to raise National Insurance contributions. That said, it confirms and underlines a point - you never make a loss taking a profit and its always wise to lock-in a percentage of the gain; the above shows that a sudden sharp announcement from those in power can, and on this occasion has, reversed what was a strong upward trend.

The action to take profits and thereby reduce the amount of Sterling held prior to the pounds fall had certainly proven its worth. Prudent management is not only about maximizing gains; professional risk management also requires the limiting of potential losses and regularly taking profits is one way of doing just that!

As the correction took hold, I awaited the opportunity to average back into the Pound having substantially reduced the accounts weighting to Sterling at the start of the quarter. Everything comes to those who wait, and the opportunity to buy was presented on the 23rd of September, when I acquired Sterling at 1.3620. I then added further to the position at 1.3538 on the 29th of September and by the 1st of October over 64% of the net assets was holding Sterling cash.

The Final quarter

As the fourth quarter started, and we moved through October, I swiftly sold Sterling banking profits on the 15th, at 1.37. I sold again on the 20th selling as Sterling rallied to 1.38, again banking returns. Following that Sterling fell back, and by the 4th of November had dropped to 1.35, as such I again began to average back in. I continued to average in, buying Sterling at 1.34 on the 11th of November; this was all done before my departure for the UK. By then the Pound had fallen below 1.3440, an important support level given recent price action and it could move to the next support level at 1.3400; as such I placed a trade to buy and bought in at 1.34.

The final acquisition was made on the 24th of November when I again sold USD to buy Sterling at 1.33. During December the Pound rallied from its mid-December's year-to-date low of 1.3162; and had passed what was three technical resistance barriers on the chart before retesting the 1.35 upside resistance. The Dollar had lost ground on news of the massive US trade deficit; this wreaked havoc with the US Dollar value as we moved through the last month of the year. Even so, the dollar found buyers who bought into the fallback, there's a lot of speculation in the currency market at present, and I am almost certain that the market may have already priced in a Fed rate hike. That said, the Pound rallied to 1.35, and had reached what was a one-month high during the final week of 2021.

Looking forward, this is yet another sign that the mighty Sterling is attempting to draw a line under what has been a six-month decline. The UK Government has been talking about fully opening up and lifting all restrictions. This would be hailed as a positive move, and with that, we should see Sterling push higher. Inflation is now at 5.4% and running hot, recent data would suggest it is going to move higher and personally I believe that even 7% is now possible - as such The BoE are likely to raise rates in 2022; this further supporting Sterling.

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