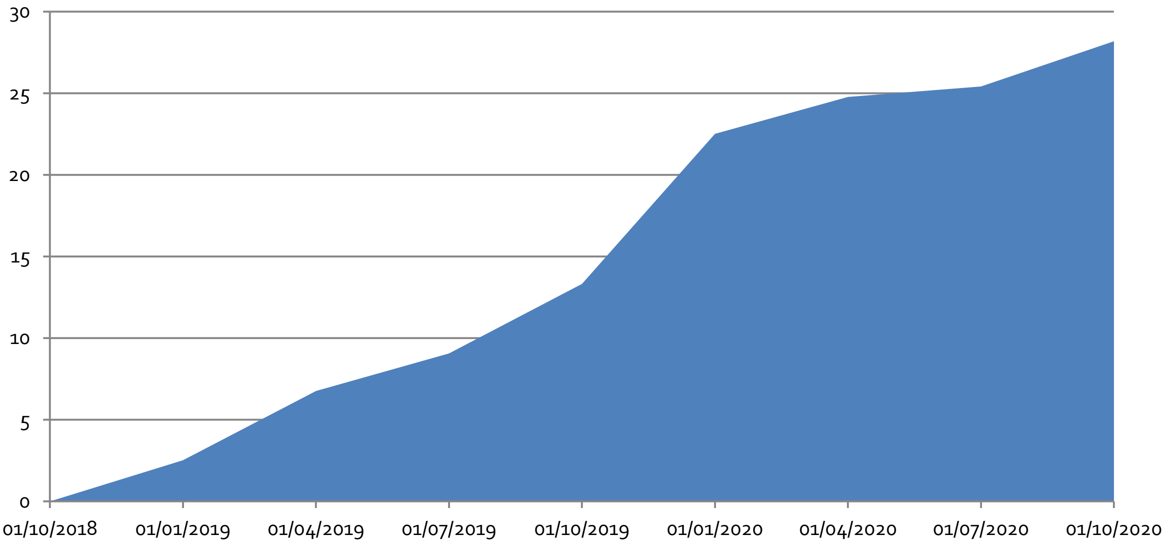
RIO CURRENCY CONCEPT ACCOUNT

The Currency Concept Account is positioned to bank gains.

This account was launched in October 2018 to take full advantage of the continued currency volatility caused by Brexit negotiations, these talks were never going to be easy sailing. Thus far the investment has done just that, returning 28.18% in the past two years and as such has averaged over 14% pa. This is another RIO investment which has exceeded its target return which is set at 12% per annum.



In the third quarter of 2020, the account filed a return of 2.21% and to date, the account has reported eight consecutive gaining quarters; this alone is reason enough to talk about its performance. The account is in positive territory for the current quarter, with further upside in Sterling now very likely, this is bolstered further by the EU conceding some ground to the UK.

On Wednesday, the British Pound looked set to record its strongest gain against the US Dollar, Euro and other major peers since March. The gains credited to a newswire reporting that the EU and UK had taken a positive step and were ready to restart the stalled post-Brexit trade negotiations. This massive change of heart led currency traders and markets to believe, with some conviction, that a deal could be agreed in the next few weeks, this in turn drove Sterling higher. Talks are now set to restart before the end of this week, this is a very positive message as both sides are pushing to achieve a deal by mid-November.

The EU's Michel Barnier announced on Wednesday that the EU parliament have committed to making the necessary compromises which were a required if a deal were to be possible. Boris's ultimatum then seems to have borne fruit, the EU have basically caved in and are now finally prepared to concede on several points of the UK's demands. This signals a 'fundamental' shift in negotiations; basically breaking the deadlock.

The UK had been looking for the EU to commit to a fundamental change in approach to talks and make some concessions in the wake of last week's European Council summit where EU leaders had taken the stance that the sole responsibility for concessions lay on the UK side, this is now no longer the case, the EU are now ready to finally get back to business.

The prospects for the mighty Sterling are further supported by recent statistics, these show a stronger UK inflation rate and resilient retail sales growth. Both are positive and should keep GBP exchange rates from sliding in the near term. This while the renewed Brexit talks progress providing further upside.

With the Pound rising so sharply I set two sell orders which would be triggered if the desired rate of 1.314 was reached. Doing so means that I don't get side swiped in this fast-moving currency market, I always prepare for sudden retreats from the recent rate, this is one reason why opportunity to protect gains is rarely missed.

EU market - Brexit talks aside, support for the Euro weakened thanks to confirmation that the Eurozone inflation rate has also fallen even deeper into negative territory during September, as such this increases the chance of further European Central Bank (ECB) action.

Across the pond, the US dollar looks negative short term. There is growing sentiment which could result in a negative result for the dollar, for example if the jobless claims figures fail to reveal any improvement in the coming weeks this could see downward pressure on the greenback. Such pressure would be bolstered by corona virus cases which continue to surge, and given the status of the pending US stimulus which remains at an impasse, we may see further weakness. This is one reason why the GBP/USD rate experienced a sharper movement between 1.28 and 1.31, as political tensions in the US continued to mount.

Currency funds and traders are now less likely continue to price in the risk of a no-deal Brexit scenario, this in turn will reduce the downward pressure on Sterling. If a deal is not done, the UK will trade with the EU according to the default rules set by the Geneva-based World Trade Organization.

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