What's New

26th February 2008

The Big news is that oil closed at over $100 staying there at close of play at the end of last week for the first time.

Gold also rose by $27 to $929. Platinum shot up $89 to $2153, and the commodity index, the CRB, hit a new record of 535.17. RIO Professional Investors Fund continues its upward performance!

The Professional Investors Fund continues to buy gold on dips. We advise that members selling their stocks on rallies, consider selling US dollars to Sterling at 1.95 or below for investment to a non-US dollar based investment such as RIO Prestige Performance Fund or RIO Fixed Income Bond, both of which are Sterling based. It is noted that Sterling is over- sold in the currency market at present. Note that RIO's currency trades have continued to be very accurate since 2004; every currency trade positioned this year has closed with profits. This has also benefited the Professional Investors Fund which continually trades Dollar /Sterling/ Dollar positions on every opportunity with success.

Many analysts look at the inaction in the stock market and think they see growth and prosperity ahead. "If a recession were really on the way, surely the stock market would see it," they say. My comment would be that the stockmarkets DO see it. It's just that they see something else coming from the other direction, i.e. inflation. They're caught in the middle, with nowhere to go.

The same applies to gold and oil. On the one hand, deflation "should" drag them down as well. On the other, inflation will surely give them a boost. Members should be aware that both of these commodities react differently than stocks. First, they are more global than the U.S. stock market. While the U.S. economy is slowing down, China, India and Latin America are still growing rapidly. They are bound to ease off somewhat as U.S. consumers reduce spending, but they have their own buyers to gradually take up some of the slack.

Secondly, while the United States is the centre of the deflationary economic slowdown, inflation is more of a worldwide phenomenon. Inflation rates in China, for example, are higher than they are in the United States. Prices of apartments in Buenos Aires, subway tickets in Paris, hamburgers in Singapore – everything is going up.

In the past; inflation has always had a national identity. The inflation of the 1920s was concentrated in Germany, where hyperinflation wiped out the middle class and set the country on the road to ruin, leading to the rise of Hitler. Investors had to move their savings to France or England to escape. Likewise, in Argentina, the inflation of the 1980s was avoided by directing money to a Miami bank.

However, times have changed. There's now a new kind of inflation – it is practically everywhere in every country and it risks spinning out of control. That is why gold is hitting new highs against almost every currency and every other market in the world. Members holding investment with Hansard should be following my switching of almost one third of their holdings to gold last year. Members who took my advice in November, investing in the RIO Professional Investors Fund, should also be pleased, since the Fund has done well. Indeed, in the past two months this Fund has risen almost 9% on the back of the most active trading since Fund launch resulting from the short term opportunities in the market.

Other News

The Fed has quietly lent some $50 billion to member banks using a new method – an "auction facility" that allows banks to put up unconventional collateral. The government no longer reports a figure for M3, the broadest measure of the money supply, but shadow analysts say it is rising at 15% per year – about six times faster than GDP growth.

Most of this money ends up outside the United States, where most U.S. Treasury debt ends up as well. The dollar is America's leading (and highest margin) export. This has forced foreign central banks to create more of their own currencies to buy up dollars, otherwise they would face a competitive disadvantage, in that the dollar would fall against their local currencies, making their exports more expensive on the world market.

General Motors (GMAC) says it is closing offices in the United States and Canada following a $2.3 billion loss. First, the company was hit badly from direct mortgage losses. Now, it is getting jabbed by losses from auto finance. Repossessions, like housing foreclosures, are rising. As predicted the repossession lots are said to be bulging at the seams!

Our research all points to a house prices correction in the United States of 20% to 30% from peak, which measures in the order of US$6 trillion, a significant loss to America's implied wealth. Not a figure to ignore!

This housing decline will put 10 million homeowners "upside down", with a mortgage greater than the value of the house. The Sub prime melt down witnessed today is likely to lead to credit defaults and huge losses to lenders, which will also bring about a big cutback in consumer spending and push the United States towards recession.

RIO's Fixed Income Bond offers 100% Capital guarantee at the outset. Also in its favour is the fact that it is also based in Sterling which is undervalued at present being a buy @1.95 or below for a move to 1.985 in the short term. The Bonds attraction doesn't spot here it also offers on fixed return of 9% p.a paid out to the members by chosen bank account, all in all this is a must buy opportunity for members interested in capital security and with interest rates dropping the case for investment in this product is very strong.

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