

Update on US Mortgage Market

20th October 2009

Foreclosures are Increasing with some people forced into homeless shelters

Members will note that I was among the first to spot and predict the US market collapse, long before the media gave it any credence. Several members took action having been bombarded with warnings that the collapse would seriously affect property values. Some members who owned property in the US decided to sell their second, home having read the detail analysis and reports.

While that is history now, the market remains in a collapsed state.

As the number unemployed rises in the US, many Americans, who have lost their jobs, are falling behind on their most important debts, like mortgage payments. Reuters recently reported that a record 7.65 percent of all US mortgages are now 30 days past due, and falling behind can eventually lead to mortgage defaults.

Foreclosure always has a deeply personal side, but it is even more difficult for those with no back up housing options. I noticed recently that The New York Times had covered the story of one individual, Sheri West who, ironically, had once owned and managed a shelter for the homeless.

As recently as 2006, homelessness was basically unrelated to foreclosure. However, mortgage defaults have become so widespread that social service agencies now find roughly 10 percent of the homeless population as made up of ex-homeowners. It is a new and growing uncomfortable demographic situation; families that haven't needed help in the past but are now humiliated. We are happy that several members took our advice and sold their homes before the crisis. At the time, I recall that it caused many a discussion between our members' families, I am sure a few heated ones. Selling a home is a hard decision. However, one member averted a 48% negative equity situation, and on selling made a profit of 9% on his property. It's not always about making money; sometimes it is about not losing on what you have!

Currencies: what's new?

Members will know that, within RIO traded funds, there is little in the way of US dollar cash holdings since, as predicted for some time the dollar will continue to weaken albeit with brief reversals. RIO funds had been positioned in alternative currencies some time ago.

A Japanese Bank has said that, in their opinion, the dollar will lose its Reserve role. Daisuke Uno, chief strategist at Sumitomo Mitsui Banking Corp has predicted that the U.S. economy will experience a double-dip recovery, which will keep the currency weak, again in line with our previous statements. “The U.S. economy will deteriorate into 2011 as the effects of excess consumption and the financial bubble linger,” Uno told Bloomberg. “The dollar’s fall won’t stop until there’s a change to the global currency system”, as I have forecasting that this would be the likely outcome for the past few years in my reports. One reason why RIO Professional Investors Fund trades Gold which has been strengthening, as separately reported.

Low U.S. interest rates and record government spending are hurting the greenback. The dollar has fallen to its lowest levels in over a year against a basket of currencies of the U.S.'s six major trading partners and is also approaching a 14-year low against the yen, according to Bloomberg data.

Brazil, Russia, India and China have all said the world needs a new reserve currency. The euro, meanwhile, recently hit a 14-month high against the dollar as minutes from Federal Reserve meetings suggested low borrowing costs will stick around until the country is on more solid footing.

“The U.S. dollar remains flat on its back and has all the hallmarks of a patient ready for open heart surgery,” MF Global Analyst Manus Cranny told AFP newswires. “No strong dollar rhetoric coming from the Fed minutes makes clear that rates are not rising any time soon in the United States.” This is in line with our earlier and accurate predictions, and our preventive actions.

I would mention that I will be in the UK assisting RIO Prestige at this year’s exhibit MPH Top Gear Live London 5th-8th November. I shall remain to continue the promotion of RIO Prestige franchises and have several interested parties to meet during this trip. I return to Jakarta at the end of November.

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