

Are Governments laying the foundations for a debasing of currency?

16 June 2010

This past week several emerging and ongoing crises took attention away from the ongoing sovereign debt problems in Greece. Greek-style debt explosions are spreading to other nations one by one, exactly as I predicted previously.

I am almost certain that time will show that the Keynesian system of big government and (fiat money) paper money leads to failure in the long run. To me it would seem that it is the nature of government to ignore reality when there is an avenue that leaves put checks to growth in power and control. It is becoming a precedent that one way to predict a bubble burst is when economists start talking about how the government and the Central Bank have repealed the business cycle.

The laws of economics are real, no matter how inconvenient they might be to politicians and bankers, and reality is now setting in. The bills will soon be coming due for payment. In the mean time, countries that have no money have bailed out other countries that have no money, except for the phony money created by politicians, bureaucrats, and their partners-in-crime at the central banks. This may be preventing big well-connected banks from having to take on massive losses, but remember my prediction that this will be eventually at the expense of the taxpaying citizen.

As governments and central banks continue the cycle of spending and inflating, as forecast the purchasing power of currencies is constantly being degraded. Note that this inflation guts the savings and earnings of the people, who have very limited options for protecting themselves against these ravages. One option is to convert their fiat currency into something out of reach of central banks and government spending, namely GOLD.

Buy: RIO Professional Investors Fund and benefit from the fact that this fund successful trading in gold. The fund has just witnessed two consecutive gaining months posting positive 4.08% while markets suffer. This trend is expected to continue for a third consecutive gaining month; two further trades were closed last week with both positions producing a gain of 3%. As such the fund is likely to benefit from further upward performance during June; other positions/trades held remain in positive territory I predict that these will hit benchmarks set.

In my opinion the arguments against gold are usually fickle; gold is not a typical investment. It is an ideal defense against the predictable behavior of governments, who are laying a track to debase a fiat currency under its absolute control. If members want to limit their exposure to this behavior, it is wise to exchange unsound assets for sound ones, namely gold. I predict that we will see the demand for this commodity increase in coming months. There will be profit taking along the way raising opportunities to buy, so there is still time. The best option is to invest in an actively traded gold fund that does not invest in gold mining stocks. RIO Professional investors fund has one of the lowest charging structures in the market place today, producing a positive gain which exceeds 40% in the tax year April 2009 to April 2010. Any member interested in inward investment to this fund please email us for details.

I have been warning members of the above for a long time, I would draw the reader's attention to the fact I was one of the first in the market to warn of the financial crises which has ravaged the markets over the past two years. And remind those with short memories that my previous predictions have been proven very accurate, for example the now historic US housing market collapse was predicted years before any other institution concurred with my forecasts. My warnings on the mortgage market meltdown and collapse of credit engines of the US (Fannie Mae, Freddie Mac) were more than justified, even if as usual these were given long before any other investment house concurred with my findings. Thankfully some members headed my bombardment of warnings on housing crisis and credit market meltdown, historic facts show that three of our members sold their second homes in the USA avoiding what would have been a 40% loss in capital value.

Once again it would now seem that I am not alone in my predictions as usual other experts are beginning to agree in sighting the obvious, that this crisis is far from over!

I will reiterate the following, as long as this crisis continues it will benefit the professional investor's fund. I will continue to trade for this fund in both even driven investment and Gold on the back of more and more bad news this year.

Gold has hit my forecasted figure of \$1,230 and is likely to breach \$1,300 before long.

George Soros agrees: Crisis is far from over

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Source Bloomberg:

Billionaire investor George Soros said "we have just entered Act II" of the crisis as Europe's fiscal woes worsen and governments are pressured to curb budget deficits that may push the global economy back into recession.

"The collapse of the financial system as we know it is real, and the crisis is far from over," Soros said today at a conference in Vienna. "Indeed, we have just entered Act II of the drama."

Soros, 79, said the current situation in the world economy is "eerily" reminiscent of the 1930s with governments under pressure to narrow their budget deficits at a time when the economic recovery is weak.

Concern that Europe's sovereign-debt crisis may spread sent the euro to a four-year low against the dollar on June 7 and has wiped out more than \$4 trillion from global stock markets this year. Europe's debt-ridden nations have to raise almost 2 trillion euros (\$2.4 trillion) within the next three years to refinance, according to Bank of America Corp.

"When the financial markets started losing confidence in the credibility of sovereign debt, Greece and the euro have taken center stage, but the effects are liable to be felt worldwide," Soros said.

Soros gained fame in the 1990s when he reportedly made \$1 billion correctly betting against the British pound. He also wagered that Germany's mark would appreciate after the collapse of the Berlin Wall in 1989.

Credit default swaps, which aim to protect bondholders against the risk of a default, are dangerous and a "license to kill," Soros said today. CDSs should only be allowed if there is an insurable interest.

My final comment is very simple the crisis offers an opportunity a golden opportunity pardon the pun!

I would again leave members with this thought. RIO Professional Investors Fund has done well trading gold and continues to benefit from the bad news from the financial markets driving the price of gold in a favorable direction bolstering the professional investors fund's performance along with it. **Don't miss out invest in this fund which is positioned to see strong out performance should crisis continue!**

William Gray
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The RIO Club