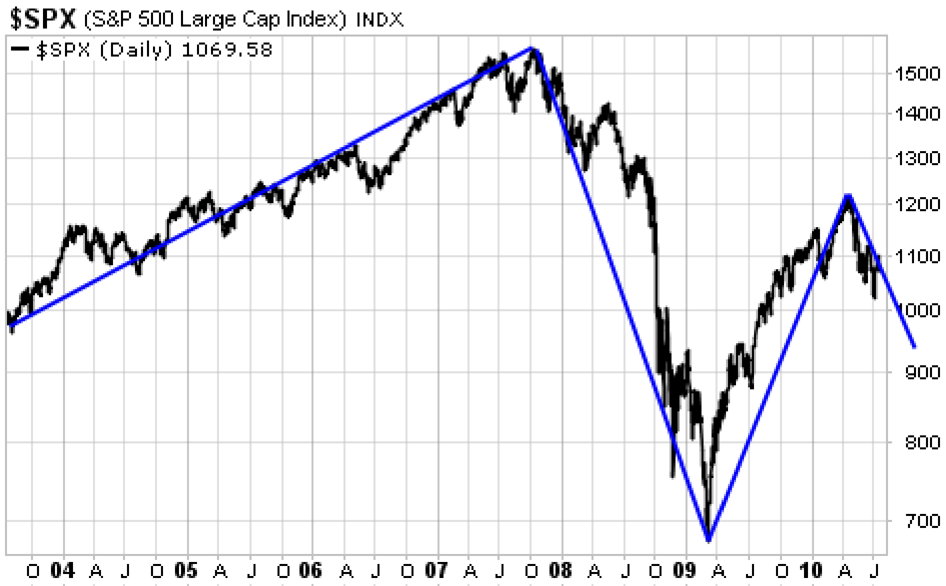
The US economy is slowly moving back into recession
21.7.2010

In the last 15 years, RIO's warning system has an excellent record of predicting trouble in the markets. Today, RIO's research shows that US economy is most probably either in, or immediately entering a second phase of contraction.

To me it looks like a combination of the largest government stimulus in history, businesses restocking their inventories, and millions of homeowners getting to live rent-free while their homes are in foreclosure caused a brief 18-month relapse from the recession that started in 2007. Now, the government has pulled back its stimulus, businesses are fully stocked, and evicted homeowners have to pay rent again and the economy is rolling over.

The stock market is anticipating these developments. It's already down 10% from its highs three months ago and although it bounced back temporarily, one glance at a long-term chart of the S&P 500 tells the investor everything they need to know. In fact is simple this market is trending down again:



RIO Professional investors fund did well in this carnage gaining +5 .99% last month, as stock markets took heavy losses. For those members interested should the US slip back in to recession is very bad news for income investors. In a falling stock market, all the best income investments – like real estate investment trusts (REITs) and master limited partnerships (MLPs) are no-go areas. Worst of all, the Fed won't raise interest rates while the economy is weak. This leaves US in a similar position to Europe and the UK with interest-free bank accounts. Finding solid income investments in an environment of zero percent interest rates, a recession, and a falling stock market is not possible for most investors.

It's simply a terrible time to be an income investor; the club still has its fixed income bond returning 7%.

William Gray

The RIO Club