



Report Highlights

The Bank of England (BoE) reduced its inflation forecast to 0% in Q2, rising to a modest 0.1% in Q3. While stopping short of projecting deflation, the report acknowledged its probability. The Monetary Policy Committee (MPC) highlighted risks to inflation moving in either direction. On the upside, there could be greater upward pressure on wages, possibly leading to an earlier rate rise. On the downside, the risk of inflation staying lower for longer could prompt the MPC to restart Quantitative Easing or cut rates closer to zero.

In a statement Governor Mark Carney commented that the UK economy has “stronger underlying dynamics”, reflecting the boost to real incomes from lower energy prices and lower global interest rates supporting activity. The BoE’s growth forecast for 2015 was unchanged at 2.9% but the 2016 forecast was revised up by 0.3ppts to 2.9%.

As expected UK house prices rose but at their slowest annual pace since May 2013. I would comment that this simply due to the uncertainty over the General Election which subdues demand pending outcome.

Activity in the housing market has slowed since the middle of last year, however again this is simply explained, the slowdown is mainly due to the implementation of tighter mortgage criteria. Its effects will be short-lived and once ironed out this market will again pick up. Those invested in RIO Property Group will be pleased to hear we continue to see steady and unchanged demand for our bespoke properties. Indeed both our sister companies in the UK; RIO Property Group Ltd and RIO Property Ltd are running at capacity and have full workloads through to mid 2016.

Currency comment - Sterling rallied due to the BOE Inflation Report as the GBP/USD exchange rate reached a 6-week high of \$1.5414. This sterling rally benefits RIO Professional Investors Fund and some may not be aware that in spite of the funds constant positive performance, the fund remains undervalued due to the fact that it is valued in US Dollars. Historically RIO Professional has held many UK assets due to the US Dollars short comings long term, the recent rise in the short term of the US Dollar against most majors does not truly reflect the performance of this flagship fund. The US Dollar remains overbought and will see a correction.

William Gray
The RIO Club