THE RIO CLUB

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CURRENCY WARS

The impending stock market risk has increased due to a potential geopolitical driven currency change.

Warning. Currency wars are likely to intensify in 2016.

For those who don't know, the Saudi Riyal is coming under enormous pressure as I write.

The ruler is well aware that should he retain the Riyal's peg to a strengthening Dollar, Saudi Arabia would be forced to throw away a large part of their Trillion Dollar currency reserves. One should not forget that those reserves are needed to support and finance their lavish spending.

Today the Saudis are burning through their reserves at a record speed. Why? Simply because they are trying to defend the 30-year-old peg to the appreciating USD. This peg has been in place for too long, in fact since 1986, but the world has changed. Current estimates indicate that the Kingdom's losses may well be around $18 billion per month, if crude oil averages $30 a barrel.

As things stand, the Kingdom's US Dollar reserve status has significantly changed, falling from $735 Billion to near $635 Billion. This would become zero in five years should they continue along the current path unchecked.

It must be obvious to the Saudi King that the Kingdom has another avenue available and a more palatable one, simply devaluation, which would be executed with ease by simply abandoning the current currency peg to the USD.

The benefit is obvious, since they could then continue to draw on their reserves to finance their spending and maintain peace within their own country, since their people are used to being supported by cash hand-outs . This move is perhaps extreme, but then the new ruler of Saudi Arabia seems to embrace overwhelmingly the radical approach.

Devaluing their currency may indeed be good for the Saudis, but it would not be good for the rest of the world. It would likely trigger another round of massive currency wars, and revitalize the race to fiat money oblivion.

For those who have a short memory, I previously predicted that China would orchestrate a currency devaluation, especially given an anticipated improvement on the status of the Yuan. As it was on the cards at the time that it would soon become the latest edition to the private club, a reserve currency, such devaluation of its currency occurred in August 2015 (The Yuan was indeed granted reserve status by the IMF some months later in November). But back to the main point, what happened when the Chinese did their version of devaluation in August. A massive US stock market sell-off and market meltdown which, in turn, devastated many investors pension values.

Warning. Should the Saudis de-peg, the impact would be swift and ultimately devastating.

Sell all your direct stocks now!

Buy RIO ARC Bullion Account which would see strong upward growth, should the Saudis de-peg from the Dollar. But better still is the fact that you'll be protected from any stock market mayhem.

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