THE RIO CLUB

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STOCK MARKET SELL-OFF

I have been forecasting for some time that the stock market would witness a correction, and have highlighted this several times since September 2017 in my Fund Managers Comments which appear on the monthly investment factsheets. I was surprised, however, when the media reported that many professional traders were caught with their pants down, given that any active investor, especially if they had access to the data, would and should have expected the equity markets correction seen. If they were in the industry and worth their salt then in my opinion they should have warned their investors, as RIO did.

I would also point out something else that many traders may have not taken into consideration. The fact that losses caused by the recent sell-off will have certainly dampened the enthusiasm of many novice traders. The recent correction perhaps a painful blow for the less prepared and the bull trend will reassert itself in the short term.

However, looking further ahead the market will most likely be more volatile, as we see interest rate hikes looming and inflation rising. Accordingly, my two decades of experience would see me continue to tread carefully as I have done since late last year. That said, the additional effort and dedication is perhaps one reason for the growing number of consecutive gaining months which both RIO's Regular investment products have recorded. A perfect example of this being RIO Regular USD which has recorded 26 consecutive gains, and is in profit this month as I write. As for its sister account, RIO Regular GDP it has recorded 8 consecutive gains to date, and as a result of profit taking recently will almost certainly post a record month by month end.

Getting back to the main subject, I would reiterate that the recent market mayhem has meant that a percentage of capital has been permanently lost, which in turn will have a negative impact on the market. There were investment houses, which sadly lost billions of dollars, perhaps even tens of billions, in explicit volatility-related shorting strategies. This money may never be regained, especially since several of these types of funds have had to close down completely, with investors' capital simply gone.

Inflation - Any inflation rate above the 2% level should be worrying for stock investors, not least because it would imply that central banks have been too slow to move away from the extraordinary financial stimulation policy seen since 2008. My prediction is that inflation will rise above the target in the first half of 2018.

Finally, there remains opportunities in stocks in the short term, especially given RIO's active trading strategy. To make it clear, I would be surprised if we did not see risk assets improve over the next month or two. Naturally, I am ever vigilant of the ongoing changes in current market conditions seeking to identify such moves for Club benefit.

Recommendation - Don't miss out on what could be the markets last rally in years to come. As sooner or later we will enter a period of little growth in stock markets, as the bear market takes to the stage. So to use an old adage 'make hay while the sun shines.'

William Gray
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