STOCK MARKETS ARE SOARING

The stock market seems to be oblivious to the list of companies which have already defaulted on their debt, and the number is growing day by day. The car hire industry suffered in the 2008/9 meltdown, this time we see the world's leading rental company, Hertz Global, go to the wall. They were not alone with legendary US retailers JC Penney and Neiman Marcus. That before we mention the Oil industry and the several oil and gas producers set to join the list.

My point is that this is just the start of the fallout. In fact, current statistics lead me to predict that over the next few months more companies will follow suit. Most are victims of other companies which are already on the edge of bankruptcy including several mainstream retailers, and energy firms such as Chesapeake Energy (CHK). Today then it is perhaps no wonder that Bloomberg has estimated that nearly two-thirds of publicly traded restaurants are at risk of going under.

There is no mistaking the fact that the coronavirus and the global lock downs have already had serious effects on the economy; a look at the credit-ratings with Standard & Poor's (S&P) shows that the default on debt rate will rise to 10% by the end of the year. This is a signal which in turn clearly indicates that more companies will go to the wall.

I go on record to stipulate that today it is easy to predict what the default rate may soon look like. After all you just need to look at the number of companies whose credit has already been downgraded; and then understand that as history has shown, such credit downgrades almost always precede defaults.

With the stock market’s gains recently, members may be surprised when I highlight the fact that in the first half of this year S&P has already downgraded the credit of more than 1,650 companies. This figure already being more than any year on historic record, and more importantly we are only in month six of 2020. The take away is simple, the number of defaults (bankruptcies) is about to soar higher.

Looking back to the last financial crash, the default rate peaked at 12.2% in 2009. Back then to deal with the additional workload and to ensure that RIO successfully navigated through the financial crisis, we took sweeping action and closed the door to new members in 2007-10 (as long-term members of our club may recall).

This bold but significant course of action had meant that RIO and its members emerged practically unscathed from the 2008 financial crisis. This is one reason why when we opened the doors to new members in 2010 we were inundated with membership referrals, most referrals were family and friends. So it remains a moment of pride in our clubs history and one when many of these referrals took the opportunity to join RIO. This perhaps partly due to the protection which at the time RIO had so clearly displayed during 2008/9, but the net result was very simple; our membership rocketed, right after the crisis. Today, yet again the membership referrals have begun to be put forward, not based on RIO's constant returns, but based on the fact that our members lost no money in the worst stock market selloff in history according to the financial press. By stark comparison the meltdown did result in Trillions of US dollar losses as stock markets worldwide crashed, as did the mainstream investment companies. Their buy and hold strategies were simply devastated by March's meltdown and most such investment funds have yet to recover these losses.

As facts show, I have successfully navigated my way through several previous financial meltdowns in the past twenty-five years, and as such I am no novice to such events. This year, as usual, my whole team was more than ready; even better, most of the team had worked with me though the 2008 financial crash. As usual RIO was well prepared and yet again the club and its members were little affected by the massive selloff in stocks and the subsequent meltdown seen this year. Not losing 30% overnight should be important to all members, so the more members who refer a family member or friend the less people will suffer in the coming correction! Importantly, RIO as always is ready and prepared for the coming correction, our active trading strategy is ideally suited to today's volatile market.

Should anyone doubt this fact just look at RIO 888 which set a record gain of over 70% in the first quarter of 2020. Then consider the fact that both our physical gold products have done very well in the first few months of this year, each have five consecutive gains. Members should also note that it's by no mistake that physical gold is the Club's second largest investment product, this measured by amount of capital invested. Many members holding the Regular Investment Account Sterling have since commented that they were very pleased with my swift and decisive action in March, this done to protect members investment, the speed had led to the regular account posting four consecutive gains this year. In fact 11 out of 12 investment products designed, marketed and managed by RIO have done very well through the first half of 2020 and given our active investment strategy we are likely to have a very rewarding year.

Looking forward, both our gold accounts look set to have a good year in 2020, and as for our high-risk investment 888, it will very soon be the third investment account to break though the 100% net return barrier. The returns generated across the board for members were excellent in April and May, with all accounts posting gains; I predict that June is to be yet another productive month.

If anyone feels that the stock market is on a bull run and that I may be wrong in my statement that the stock markets are almost certain to witness a correction in coming months, well consider this; I didn't mention above the high unemployment, violent protests and the use of what only can be described as extreme monetary policies or the increased political division. On top of all of that there is the fact that the world is still dealing with a pandemic.

Not enough? Well add the negative interest rates, which have now hit the UK, with the same use of negative rates being forecast for the US next year. Not to mention the already negative real rates – inflation adjusted. Finally, the UK bond market in May encouraged investing in gold.

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The RIO Club