



THE US DOLLAR & FIAT MONEY

The RIO Club's investment products have minimized their exposure to the US Dollar for years. Why?

It is a well known fact, which financial media seem to be ignoring, that since the beginning of the credit crisis the world's central banks have invented or printed \$10 trillion worth of new currencies with a flood of new paper issued. I cannot resist the opportunity to again mention our newest product The ARC offering a means of safety so that you won't be swept away by fiat money.

Where has all this paper money gone? It has gone into and buying up government debt, and still is, the reason being to drive down interest rates. To date this has worked and governments have been able to keep countries afloat using this plan. But this has simply bought time, since it is obvious that creating even more debt does not ultimately solve a credit crisis. Hence, it is by no mistake that the Professional Investors Fund is yet another RIO investment that was structured for safety, the Fund has historically held a significant weighting to hard assets, in fact around 80% to be precise. These assets offer safety from the flood of paper which continues to lead at best to further devaluation of paper currency and perhaps even a currency debasement at worst.

With respect to the US Dollar, historically I have been bearish which has been proven to be the correct stance. Members are well aware of this fact since I have written a multitude of articles on the devaluation and volatility of this 'fiat' currency, which is why, for almost a decade; I have ensured that RIO's exposure to the US Dollar is minimum and have launched several products designed to protect members from the devaluation which continues.

For those in any doubt I am not alone in thinking that the US Dollar is perhaps losing its attraction even as a reserve currency. In fact, to be clear, I believe the US Dollar trading standard system could be nearing its 'sell by' date, but that's another story.

Looking back one can clearly see that since I highlighted the fact years ago that many countries were looking at diversification outside the US Dollar, we have seen more and more countries already in discussions with a view to diversifying away from the US Dollar. The former Chief Economist for the World Bank, Pihlman, put it aptly when he proclaimed that the dominance of the USD is the root cause of the global financial and economic crisis. I could not agree more.

It may come as a surprise then that over 40 central banks have invested in the Chinese Yuan, with several more preparing to do so, especially since it has seen a small correction of late. This could put the Yuan on the path to reserve status sooner than some may think possible, even before full convertibility.

Since 2003 emerging market countries have increased exposure to other currencies as a chosen reserve by 400%, an indication of things to come. They are not alone in this as developed countries have hiked their equivalent numbers by 200% over the same period.

The US Dollar has lost significant ground, falling from its dominant status. Facts show that the US Dollar now accounts for just 33% of global foreign exchange holdings, these statistics just confirm that the predictions which I had made years ago on both the devaluation the Dollar and the decline in its reserve status were correct.

Members who are paid in US Dollars will have seen this currency lose purchasing power. Many have benefited from investing in RIO's array of bespoke investment products, most of which are designed to protect and even benefit from the continued devaluation of the US currency.

What next? I predict that we shall continue to see a move away from US Dollar by central banks. The coming announcement from China on its current Gold reserve holdings will highlight their dominant position in Gold and cement their growing status worldwide.

As a consequence, it's likely that the number of central banks considering holding Yuan will increase, as this currency edges closer towards perhaps becoming a de facto reserve currency. Consider also that banks have continued to invest further in this currency recently, which will more than likely see a significant increase as it becomes fully convertible.

As I have said previously, reserve currency status does not last forever, as the UK found out when Sterling was no longer in this privileged position. As the US Dollar retains its faltering status as a reserve currency, I would suggest that investors get ready for whatever comes next. The ARC offers protection against fiat money.

Due out this week is the Professional Investors Fund report and also RIO Property update.

William Gray
The RIO Club