

# A VISIT TO CHINA

**I have recently returned from a brief visit to China.**

**20.5.2011**

China is doing well; its economy is booming. However, indications are that prices are rising, a threat to the country's economy if unchecked.

Recent data on the Chinese economy released last Wednesday showed consumer inflation moderating slightly in April, though remaining at elevated levels. At the same time industrial output was weaker than forecast, which amounts to a mixed picture and spurs concerns of a deepening slowdown.

China's consumer price index (CPI) climbed 5.3% in April from a year earlier, while wholesale inflation climbed 6.8%. The results compared to analysts' expectations for rises of 5.2% for the CPI and 7.3% for producer prices, according to a poll by Dow Jones Newswires.

To keep on track China has to continue to grow at 6% per year. If not some serious social unrest may develop, dampening the impressive expansion of the past two decades, and a current growth rate of 9%.

**Now to move back to my favourite topic, the US Dollar devaluation; members may be unaware that the Chinese central bank is the largest single holder in the world of US dollars.**

This reminds me of the classic case of 'when you owe your bank \$100,000 you can't sleep at night, but when you owe your bank \$ billions, it's your banker who can't sleep at night'!

What can the Bank of China do? The only real option is to take those devaluing US dollars and buy real reserves – for example gold, and as members know from previous reports on Gold the Chinese are already doing just that.

Good news for Gold and the Club's star performer, RIO Professional Investors Fund!

## **The RIO Club web site**

We have redesigned and updated our club web site. This site now features an investment information/learning section which will be greatly expanded throughout this year. This section should be useful to members as it outlines the basics with investment related articles such as; what are stocks, mutual funds, trusts advantages and disadvantages, offshore companies and their uses are also featured. I would value any comments.

You can visit the updated site here – <http://www.therioclub.com>

**William Gray**

**The RIO Club**