THE RIO CLUB

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RIO REGULAR INVESTMENT ACCOUNT GBP

The Regular Investment Account GBP (RIA GBP) continues to benefit from the volatility caused by Brexit, up 2.78% in September. This market continues to offer significant opportunity to trade given the ongoing political upheaval in the UK. Even so it's not for everyone, statistics continue to show that many fund managers around the world have stayed well away from British equities and, I would also point out, that the big deals have also suffered. For example, the Hong Kong bid for the London Stock Exchange aside, global companies have not been interested in buying British businesses.

RIO chose not to follow the herd, launching the RIA GBP in June 2017 to take advantage of Brexit, and also give members holding USD the chance to potentially benefit from both the beaten down USD/Sterling exchange rate, and the undervalued UK stock market. With 25 gaining and only 3 losing months produced, I have successfully traded the volatile UK market. Doing so has been profitable for those invested and, to date, the Sterling Account has produced 48.15% net gain.

Today, at current values, the British market looks attractive, but against the backdrop of Brexit uncertainty, it is understandable that many deals have been shelved or delayed. It is also reassuring that there is a strong chance that many of the delayed deals will be done following a positive solution to the Brexit fiasco. For now the investment risk is amplified as no one has any idea when, or if, the UK will leave the EU, and on what terms?

That said, as I have reiterated many times, from an investment standpoint the net result of all the political upheaval in the UK is simple; the British stock market is undervalued. This fact is especially evident when compared with other major stock markets. It is worth noting that should the threat of leaving evaporate, a massive wave of new money would sweep into the FTSE, followed by a surge of bids and deals**. All this activity could well result in significant gains for the RIA GBP.**

<u>Employment in the UK is at record levels, and wages are on the rise</u>

With growth positive, employment at record levels, and wages growing at the fastest rate since the financial crash of 2008, there is no real reason for the Bank of England to hold rates down at arguably emergency levels; except over concerns of what the ongoing Brexit saga holds for the future.

Logically, if Brexit were taken off the table, then the Bank of England should start putting rates up again. This would see Sterling rally, but with the global economy slowing, such a rate rise may be delayed. Having traded the ‘Cable’ (Sterling/Dollar) for over two decades, I would see Sterling move above 1.30 on any positive news relating to Brexit. However, should such news be supported by a perceived rate hike, then the Pound would go into full rally mode.

Brexit negotiations

Perhaps Boris Johnson is following the correct strategy; I may have been tempted to do the same. After all, you are holding a very week hand if you simply walk into a negotiation telling the other party that you need a deal under any circumstances. This would ensure that any deal offered would be a bad deal at best. The only way to gain the concessions you desire is to ensure that the opposing side believes that you are more than willing to walk away. With that in mind, it's hard to believe that MPs don’t understand what must be simple logic, but then, why would they? Their concern seems to be focused on gaining power rather than serving the best interest of the country.

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