



The Regular Investment Account, the Club's only stock based investment, has started the year with two straight gaining months, up 7.65% in the first eight weeks alone. This performance added weight to the faultless record of 2016, which yielded a significant 55.79% return for those invested. As of today, this product has recorded 14 consecutive gaining months for a total of 62.83% in returns and this strong performance is likely to continue in the short term (two to three month period).

We are living through a very unusual time in history, and I am happy that many of our members have commented positively on my **buy** recommendation last year, and thank you to all who invested ideally a small lump sum at the start of last year following the buy signal.

Although this account is designed for those wishing to invest on a regular monthly basis, I drew attention to the fact that it was likely to do well and, as such, invested a small lump sum myself during early 2016. **Looking ahead, our detailed research and analysis points to one simple conclusion that history is about to repeat itself as we enter what looks like the final stages of a massive bull market.**

It has been both a very rewarding and interesting first quarter so far and, just as I had forecast, we have continued to see a strong bull market condition develop, partly premised on the assumption of imminent cuts in US personal and corporate income taxes. It is predicted that these cuts will lift US GDP growth to near targeted 4% levels from current levels of 1.9% (Q4 2016).

The Trump Administration look determined to proceed with a 1981 Reagan type of tax cutting / defense spending agenda. There is emphasis on stimulating new hiring and the renewing of US infrastructure. That said, the US Congress is concerned that the impact on the US budget deficit could be destabilizing. However, President Reagan executed his tax cuts when America was the world's largest creditor. Today it is very different since the reverse is true.

The S&P 500 (2382) is at elevated levels relative to 2016 earnings of \$95.34, a multiple of 25x (the historical average is 17x). Recently Standard & Poor's published data focusing on the year ahead for 2017, which forecasted a P/E ratio of 20x based on a 25% jump in earnings. A 25% jump in earnings is premised on both US corporate tax cuts, and significant earnings growth. However, this would be problematic given the strong US Dollar.

Investment warning for those invested in the S & P directly or trading themselves, or god forbid with a broker. I would remind members that the US S&P is expecting (meaning that it has been priced in) a substantial 25% jump in EPS. Hence, a positive outcome would be growth above 25%. I think this is over optimistic. Investors, who buy in to that, may well find out the hard way that 2017 promises to be both rewarding for experienced traders such as myself, but perilous to almost all general investors who do not have access to dedicated analysts, nor the time required to carry out the extensive reviews of the detailed analysis one must read every day as a trader.

The Federal Reserve is concerned over accelerating inflationary pressures, which would result from lower/tighter immigration (which reduces labour market competition and creates shortages) and substantially higher US government deficits (especially where the extra spending occurs in the domestic US economy as opposed to foreign wars). That said the forward trajectory of US interest rates has moved and, as a result, we could see possibly four quarter point rises in 2017.

As for Sterling, recently it has experienced a few failed rallies, with frequent and unsustainable upside bursts, before retreating. This is, of course, post the proposed setting of the Article 50 trigger. As talks get underway problems or even disputes, I feel, are likely given the current restive situation. Accordingly, I forecast that we are very likely to see the UK try to relinquish previous commitments to the EU budget. The EU trading relationship, as such, may come under short term pressure. It would almost certainly prove beneficial for members to invest in the RIO ARC Bullion Accounts, as a run to safety assets is likely, should I be correct and the market witnesses volatility.

Considering today's fast changing political arena, it is perhaps obvious to seek safety. Those invested in one of the clubs ARC Bullion Accounts would find that they benefit from both sides of the forecasted market moves I am predicting. Investing in both gives a member protection from the volatility of stock markets, and even better they are likely to gain from any market volatility as investors run to safety assets such as gold. That said, they would also be positioned to profit from the market, as this is usually where I take the opportunity to acquire equities for the RIO Regular Investment Account at a lower price.

As a short market sector comment, the RIO Regular Investment Account is ready to benefit from continued upside in the US technology sector. Although this sector has seen significant gains in giants such as Apple, Alphabet (formerly Google) and Microsoft. All three have benefited from President Trump's promise to lower US tax payable on the repatriation of cash held ex-USA.

Our analysts comment that the tech companies would utilize the repatriated money as higher investor returns, share buybacks and even dividends. Here we are citing history as this happened in 2004 when this situation last arose.

Finally, the RIO Regular Investment Account has elected to focus on short term catalysts, and apply the relevant contexts at the moment, which are higher US interest rates, Sterling trading in range short term and higher technology valuations. Last but not least, we are also focused in the banking sector, due to the increased banking margins.

I have already bought three of the four stocks identified, all of which are ideally suited to the above contextual framework and, I have added these equities to the RIO Regular Investment Account holdings.

Finally, it may be interesting to note that as I write this Account in profit for March.

William Gray
The RIO Club