RIO REGULAR INVESTMENT ACCOUNT GBP

The RIO Regular Investment Account (GBP) is the latest edition to the Club's product range, which was purposely added to RIO's investment range to take advantage of the potential investment opportunity created by the predicted market volatility caused by ongoing Brexit negotiations. These negotiations will almost certainly be good, bad and even ugly at times.

The Account continues to see a positive start, gaining 5.06% since launch, I am predicting that we will see a stock market correction during mid to late September, however it may be delayed by any good news/feel good factor. Even so a correction is coming... its overdue!

Looking forward then, basically I expect and am prepared for stock market volatility, accordingly, this is an investment opportunity for those both prepared and well versed in market trends. This account benefits from the fact that it has fully researched several stocks selected for acquisition on any sizable correction, and as such I am ready to take full advantage of any such correction.

UK Interest rates

It is worth noting that it has been ten years since the Bank of England raised rates. **When they next do, I take this opportunity to bring members attention to the fact that this will be seen as a big deal.** For the moment however, I would forecast that they will be highly accommodative by any historic measure, especially given uncertainty surrounding Brexit and the weak political leadership. I believe that we will see a softening of the approach towards the exit; it would be advantageous to opt for a Norwegian style model with membership to the Economic Area, although reluctance remains on the Europeaan side. In my opinion, if this were the case, this would preserve the trade with the EU and retain passport rights for the city of London. This would be a graceful way forward for both parties, and may yet be seen as a solution to the current impasse. Should this be embraced the UK stock market would rally. Importantly we have begun to see softening appear, but until this takes hold I stand ready to buy in to market/stock weakness.

As for inflation this has been held back by temporary factors. If global economic expansion continues we can expect growth to remain strong. For me the short term equity prices look elevated, and it is important to note that valuations have been assisted by the low interest rate environment. I expect the stock market to see increased volatility. Having actively traded this market and studied the recent data and reviewed market indicators, again I reiterate that I would be surprised if we did not see a correction during September/October this year. If I am correct this would present a buying opportunity and, accordingly, as I said, I have identified several stocks which would see a sharp rise following any short term downward trend.

I am often asked if the stock market is overvalued today and also whether it is still a good time to buy into it? Both are really the same question, originating from the same emotional conundrum. Basically, it means that people have heard or read that the Regular Account had sky rocketed, and that the stock markets had indeed rallied just as I had predicted, and simply they wanted to predicate in the action. To date those whom missed out have an ingrained fear of loss.

To shed some light on the current market position, recently I would cite that US equities have rallied for several reasons, one being that investors expect progress with corporate tax reform, which would be bolstered by a dramatically reduced regulatory burden, just as promised by the US administration. Beyond potential tax cuts, there are still valid macroeconomic reasons to remain optimistic on corporate profits.

I am surprised that it often goes unnoticed that QE and low interest rates have encouraged companies to operate within a higher debt and that that this debt is cheaper to service than at any time in American history. For the past year, economic growth in many emerging markets and Europe has been improving in a more synchronised way.That being the case and with more than half of the S & P 500's profits generated outside the US, the future for more multinational subsidiaries looks good.

Unemployment is also falling globally, and many firms have had no pervasive rising wage demands which will filter though to more profits. Basically there remains a strong upside especially following a 5-7% US stock market correction, note though this is not a buy and hold market there are currently multiple dangers lurking, any of which could seriously upset the status quo of the stock market.

Members should take note this is exactly why a buy and hold strategy is not the suitable in today's stock market. If you wish to enter the market at this juncture, it would be wise to do so utilising an actively traded stock investment vehicle such as the RIO Regular Investment Account, doing so would effectively mitigate some of the risk taken entering the market.

Notable Trades in August

The Account continues to benefit from trading in Barrett Dev, acquired on 4th August at a price of 586.35 and subsequently sold on 14th August at 605. I also acquired and sold RIO Tinto stock this month, and sold it profitably before August closed. As always I am on leave during August and will return at the beginning of September, being both rested and on time to take advantage of potentially a market correction.

The above stocks have been traded successfully for the sister account, RIO Regular Investment Account (USD), again using the same strategy, all being actively traded; no stock was bought and held.

In closing I will stress again that trading in today's market is infintely better than a buy and hold strategy, especially if one seeks to limit investment risk.

William Gray
The RIO Club