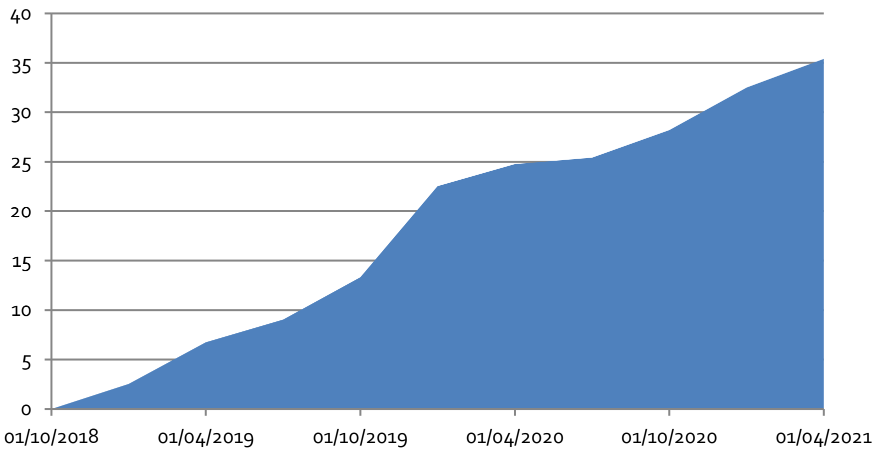
THE RIO CLUB

16 April 2021

RIO CURRENCY CONCEPT

The Currency Concept Account closed the first quarter of 2021 in profit, gaining 2.18%, as such it is yet another RIO investment which has started the year well.

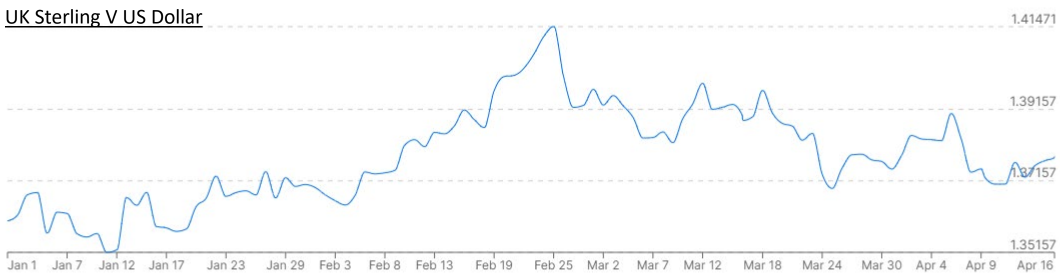
Over the years this investment has built up a strong following, many members understandably attracted to Currency Concept's exceptional record, the account having produced ten consecutive gaining quarters since launch. A lack of volatility is usually synonymous with low growth, however, to date the return generated is in line with RIO's predicted target return of 12% per annum. Members should note that target returns are set at inception, and are based on an average gain over a three year period. Today with a net return since launch of 35.40% the gains have exceeding the target return.



Another attraction of this investment is its liquidity, in that it trades 100% cash. The US Dollar, UK Sterling pair, commonly known as the cable, is one of the most actively traded, and importantly most liquid trading pairs in the currency market; this being two reasons why RIO elected to trade them. It may be of interest to note that the Pound/Dollar is also one of the oldest and most widely traded currency pairs in the world.

As we moved through the first quarter of this new year I had plenty of opportunity to trade the pair; Sterling rallied strongly in the early part of the quarter on the back of the success Britain had enjoyed in relation to the vaccination rollout.

As we moved through the first quarter the Pound had fallen back from its lofty 1.42 peak; the mighty Sterling losing ground due to EU's vaccine delay threats, however, Sterling recovered ground following a bout of downward pressure which had caused the rate to fall sharply. The exchange rate had reached 1.36 by Wednesday the 24th of March, at that time this was the lowest exchange rate Sterling had seen in seven weeks.



Source: xe.com

With the initial shock over even the second bout of warnings from European leaders on the limiting of vaccine exports did not restrict the pound from rallying back to 1.38. The market for the rest of the quarter remained focused on Britain's generally upbeat vaccine rollout and economic outlook.

Looking ahead, markets are focused on the UK's economy data with the latest gross domestic figures released. As for this month statistically speaking April is traditionally a strong month for the Pound. I also note that the near-term momentum for Sterling is turning increasingly constructive as many investment professionals now appear more optimistic on the UK and its currency. This is no coincidence with recent data portraying significant improvements in demand for UK-based assets. Data also shows that international inflows into the UK have strongly recovered following the signing of the Brexit deal in December, this as I had foreseen and as such positioned the account for. The net result being the quarter's positive performance.

Statistics show Sterling demand on the rise.

Source - Bank of America, the buying of UK government bonds (gilts) by foreigners have seen a strong surge during February, up by £15BN. This massive demand for Sterling gilts during February 2021 was the single largest of any February, dwarfing the previous record set in February 2009.

As I write, the account is currently positioned well and in profit, the main hold back for Sterling is the slowing pace of vaccinations due to rare cases of blood clots related to the AstraZeneca vaccine. That said, on the positive side, the vaccination roll out in the UK importantly remains above target.

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