

# **The Fed will NOT increase interest rates today**

**Please read below for the reason why**

21<sup>st</sup> March 2007

## **US Mortgage Fiasco: RIO's predictions made years ago have yet again proved accurate**

Angelo Mozilo, the CEO of Countrywide Financial, the USA's number one mortgage provider, feels that the lid is ready to blow! On Thursday last week he said that the whole U.S mortgage industry with over \$10 trillion outstanding does not know where it is going. The industry is facing a liquidity crisis. Mozilo reiterated the fact that there are more than \$1 trillion in sub- prime mortgages outstanding. Many of these are turning out badly, which should have been anticipated.

**Want to profit from this market?** Our report, written years ago, is reprinted as follows.

RIO carried out substantial market research within the US housing market during 02/03. It identified unsound mortgage practices and predicted that these would lead to catastrophic consequences. It warned investors that a mortgage related crisis would result, as can be seen on pages 48, 49 of "RIO, 10 years of Success".

More importantly, on pages 53 and 54 of that document, the likely sequence of events was discussed under the article entitled '**US Housing Market Collapse**'; we predicted a chain of six events that would eventuate.

### **RIO predicted**

- 1. Long term interest rates will rise.** This happened! And prediction two is now in full swing
- 2. Hundreds of thousands of mortgage defaults will quickly paralyze the US economy.** This is now imminent and will get worse in the months ahead!
- 3. Need a Loan? Forget it!!! Millions of Americans will be unable to get credit.** Since these predictions were obvious years ago, why did other financial institutions not warn investors, even recently?

### **There are six predictions from which you can profit!**

May I suggest that you look out your old copy of the 64 page colour RIO Club News, entitled 10 Years of Success, sent out to all members over two years ago. If you have lost your copy, simply request a new one and we will send it to you, but hurry since predictions three and four are about to commence.

Perhaps, I should remind you of RIO prediction four;

**4. These events will have double the impact of a stock market collapse;** be warned consumer spending is about to grind to a halt. The US consumer possesses a very strong will. But no matter how great the desire to press ahead, soon they'll have their legs taken out from under them. Don't think that the collapse of the housing market will only impact real estate spending. Studies have shown that when the housing bubble bursts, they will exercise twice the effect on consumer spending as comparable declines in the stock market. Think of it this way: a 20% drop in housing prices would have the same effect as a 40% decline in the stock market.

**5. Can you trust your bank? The U.S. banking system will soon be crippled by bad loans.** The eye-popping investment risks that have been taken during this housing bubble are not limited to GSEs. The entire U.S. banking system is also heavily exposed and as a result, many U.S. banks will suffer dearly. As for individual investors, many will find out the hard way why a mortgage backed bond is not as safe as a Treasury bond.

**6. Goodbye retirements. Millions of Americans will see their net worth take a large hit.** As rates continue to rise and loans become tougher to secure, housing prices will plummet. Over \$2.5 trillion in 'paper money', the so called wealth that has been created since 2001 by the rise in housing prices, will disappear.

**The RIO Professional Investors' Fund is set to benefit.**

**If you want to know more please contact us.**

William Gray