



**Gold could hit \$1,900 if and when Central banks reverse course.**

Bullion rallied strongly to the end of November, climbing above \$1,800. Its longer-term uptrend had been restrained by the consecutive Fed rate hikes and resulting US Dollar strength. Since August, gold had been stuck - treading water, but during the past few weeks, the Fed rhetoric has softened, and a pivot looked likely, as the market priced this in the dollar came under the inevitable downward pressure; this, in turn, help drive golds rally.



For now, Bullion has turned bullish, and analysts would point out also that gold has held above the critical support levels for the last three months. This is good news, but I would comment that although sentiment is undoubtedly changing, it's unlikely that we will see a Fed pivot this year. The reason is that the November employment report indicated 263,000 jobs were added last month. It also revealed that annual wages were up over 5% - both numbers were far higher than expected. As such, this would underline that a December pivot is not on the cards, despite all the wishful thinking in the marketplace. To clarify, the recent gold rally results from short covering, which is not sustainable.

The number of gold short positions is falling, but the Fed will raise interest rates by 50 basis points this month. When the rake hikes stop, things will get more interesting. I forecast that we may see economic pressure lead to interest rates being pulled back in late 2023 and should I be proven correct, gold will rally!

With a recession looming, the threat of its impending arrival is amplified by an aggressive Fed. I would confidently predict that as soon as the economy starts to reel from the impact of this aggressive action, we will see the central bank reverse course. A gold rally is to be expected, and a recession would also support gold as investors will swiftly move to preserve their wealth.

With geopolitical tensions remaining heightened and talk of an energy crisis which could result in a global economy going into recession, it is safe to say owning gold is a must.

William Gray  
The RIO Club