



## RIO ARC BULLION ACCOUNT (USD)

### Investment Manager Comments

The RIO ARC Bullion Account (USD) has remained unchallenged as the world's top performing physical gold investment in USD terms, gaining 57.39% since its launch in October 2013. The returns generated to date have secured the Account's position at the top of the Bullion category.

**Trading executed in September** – On 13th September, I Sold 15% of bullion held at \$1,206.27. The move proved justified as I was able to reacquire the gold sold at \$1,184.60 on 27th September.

**Gold** - As for the bullion market, gold remains in an oversold and under bought position. I reiterate that gold remains one of the few real alternatives to fiat money. Physical gold is now headed for its sixth consecutive month of declines, which puts the metal close to its longest monthly losing streak since 1997. The main issue for gold is that recently the dollar had continued to gain against its peers and statistical data indicated that US economic growth had accelerated. That said, this growth was mainly driven by Trump's \$1.5 trillion tax cut package.

Many of the world's wealthy have taken advantage of gold's recent price. Even the cautious Central banks have taken advantage and added a net total of 193.3 tonnes (t) of gold to their reserves in the first six months of 2018, an 8% increase from the 178.6t bought in the same period last year. This increase is very significant as it marks the strongest first half of the year buying by central banks since 2015. Market timing is as always essential, but buying an asset at the best price is paramount. In short, buying Bullion is a safety asset and, when it's spurned, is often a very good trade.

Today more and more investors are starting to doubt that they can trust central banks. Personally, I do not trust fiat currencies and would draw attention to the fact that recent statistics confirm that more and more investment professionals are falling in line with my train of thought. Many such people are now looking for other options and, without doubt, gold is one solution. Soon the retail investor is likely to embrace this and, should this happen, it will overwhelm the Central banks and their ability to suppress the price of bullion.

**Bad News is often good news for Bullion, as we could soon see a run to safety assets.**

So far, effects of trade sanctions have mainly affected emerging markets, such as China or Turkey. However expanding or maintaining sanctions for a longer period will damage global growth. That being so we are almost certain to see the fallout negatively affecting stocks which, as usual, would cause a run to safety assets such as Bullion.

Then there is the Italian situation. Even a brief comment on Italy's announcement that the country's government had agreed to increase its budget deficit over the coming year caused quite a stir, driving the markets in Italy down sharply. However, when the true magnitude of this situation is revealed, we would most likely see, if not expect, a sell-off of riskier assets such as stocks and a run to safety assets such as Gold.

We are in a period of heightened geopolitical risk with the potential to impact the global economy. The status quo seems to be supportive of gold even if the dollar were to strengthen. Gold could trade lower if the US dollar increases in value but, in the light of positioning in the US and increased interest from buyers in China and India, the risks seem skewed towards a recovery.

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