Firstly there are powerful driving forces getting set to take centre stage, any of these would certainly see gold post gains but should they all converge at once it would most likely create what would be a perfect storm for gold and in turn see significant gains, which the account is positioned for.

Taking the above into consideration any member looking to gain exposure to gold or to increase their current position - now would be that time! Today we are in a period of debt monetisation. The purchasing power of currencies is under attack, as we move through 2021/22 watch the value of your paper money fall against real assets. For the ARC Bullion account the current correction in the price of gold to below £1,250 has provided an opportunity for me to start averaging back in. Later in this report I underline that I had sold gold during January and early February, as such with values lower, I have started to rebuild a position in gold in order to potentially bag profits from the coming storm.

The financial markets are distorted by the debt burden, the UK national debt to GDP has risen sharply and had already reached £1,876.8 billion at the end of the 2020 financial year. That was equivalent to 84.6% of gross domestic product (GDP), and 24.6 percentage points above the reference value of 60.0% set out in the protocol on the excessive deficit procedure. Due to the massive stimulus, alarmingly by the end of 2021 that debt to GDP may have crossed 100%.

Today, the news is focused on the Coronavirus, but soon the media will be awash with stories of the debt burden. It seems for now it is a case of every other nation is adding massively to their debts so it's okay - but a word of warning, it is going to be far from okay, as the debt to GDP nears 100% we are entering the danger zone. Even worse is the fact that most developed economies are in the same position. To be perfectly clear this bad news, however, it may soon prove to be good news for those invested in the ARC, as the global actions required to address this colossal debt are likely going to be harsh.

As I have mentioned in previous reports the fact that we have seen a worldwide increase in government debt will bring to the fore issues which could threaten the very foundations of the financial system. The whole system remains under significant pressure and last year several governments held talks on this issue behind closed doors.

I have also previously addressed the rising bond yield issue which yet again has hit financial news. Why is this a big story? Well if the Fed intervenes to stop the current rise in the yield curve spread, then it is a strong signal to all institutional investors that the Fed is completely committed to inflating their way out of the runaway debt. The one way to ensure that the governments can pay their bills is to keep the bond yield low, that is true for the UK, the US and Europe. Inflation may be set to raise its ugly head but it is only one driver, bankruptcies remain on the rise and although the government have extended the furlough scheme in the budget this cannot last forever and they are just delaying the inevitable, the bottom line is that holding gold is a must today. If anyone is in doubt, the above is one reason why there is a building worry that the stock market is set to collapse. One can see that against such a background it would be easy to predict that we are likely then to see a surge in the value of gold.

Looking back, as January closed I had already positioned the ARC account to be in an under weighted position in gold, actions taken during early February to sell further gold on the anticipation of the metal remaining in correction mode had also proven justified. As I had predicted Gold continued to fall back and selling early avoided losses as gold fell 7.68% on the month. One reason why I sold gold was the fact that I knew the Covid-19 vaccines were to be rolled out and if this exercise was successful it would likely see the stock market rally as it priced in the success. Importantly, during mid February this was exactly what happened, my strategy was proven spot on when the vaccines were indeed rolled out, and rolled out at speed. This, as expected, then caused the markets to enter an increased risk on stance favouring risk assets such as stocks, a warning though that this exuberant behaviour is likely to be short lived.

As for Gold it opened February at £1,361 but fell 7.68% ending the month at £1,245. Selling early had meant that I had protected the account. As gold fell I began to average back in, on the 18th, at the then month low of £1,280, I began to buy. I continued to add to the account's gold weighting and during the third week of February acquired further gold at £1,264 and £1,255, both buys made on the 25th were near the twelve-month low. By noon on the 26th Gold had rallied back to £1,265 before moving back to a new low and currently the metal has entered an oversold position.

Gold fell back on the successful roll out of vaccines across the UK, this had added to Sterling's rally and together this pushed gold to enter an oversold position. Any move below £1,250 is a buy, especially given the true status quo that gold will almost certainly re-join its trend higher in the coming months.

Vaccines

I would point out that although the UK government has met its initial targets for the first priority groups it must be stressed that the long-term success of the vaccine rollout in the UK and in fact across the world, remains to be seen, particularly given the number of new variants which could threaten the efficiency of the current vaccines and delay any economic recovery. Both the vaccines success and the Sterling rally has been fully priced in and as such any bad news on their efficiency will potentially send Sterling lower and send gold higher. Further upside in gold may come from a stock market correctIon, equities are now hovering near all time highs, in the current market with multiple bad news ready to hit the fan any or all of these would likely push equities to enter a risk off position. Fund managers and institutional investors are already beginning to get nervous; most do not want to get caught out like they did in March last year! We could see stocks tank and gold skyrocket in the coming months. This is especially true when you consider that leveraging today is higher than it was in March 2020.

I have traded gold professionally for over twenty years and as such have accurately predicted its recent moves. I can confirm that the reason for the gold price moving back is much based on hope, a hope that the global pandemic would be at an end soon. I understand the massive desire to believe that these nightmare lockdowns are over and that Covid 19 has or will be subdued, but hope and reality are sadly vastly different. Any negative news on vaccines and or the pandemic would likely result in a boost to golds value, the reason being that hope has resulted in the stock markets being over optimistic, in my opinion it has priced in that the worst is now behind us. We have also seen the strong rally in the pound, again pricing in an as yet unclarified outcome.

I have also traded Sterling / Dollar successfully for over twenty five years and as most people know I currently manage the RIO Currency Concept account, as such I was well aware of Sterling's potential rally. During February Sterling continued to rally against the Dollar just as I had previously predicted, in fact this pushed the pound to a 34-month high against the Dollar. Subsequently this had put additional pressure on gold prices in Sterling terms. Afterall Sterling had rallied as high as $1.42 during the month, a price last seen on the 13th of April 2018. This underlines the continuation of an impressive rally for Sterling which had dropped as low as $1.149 in March 2020 when the UK first announced its lockdown. The Pounds strength had pushed gold down below £1,250 per ounce, this the lowest value since March 2020. Simply put, the gold market is now in an oversold position.

Looking forward, my forecast on the arrival of inflation later this year could soon be proven correct, should this be confirmed then Gold will rally. As it stands recent data already shows that factories in the UK, EU and US have all reported increasing costs, in what could be some of the first indications of the inflation to come in the months ahead.

The Brexit transition has led to significant disruption, recent reports show that supply lines are over stretched and as such deliveries are taking longer to cross the border. In turn this disruption has led to shortages of raw materials and key components for many companies, the result has been a rise in prices. In the UK prices have already risen to a four-year high.

The above, when combined with manufacturers witnessing an increase in new orders, will simply cause further problems. Much of this comes from pent-up demand, the fact that thousands of businesses had suffered in government lockdowns effectively being unable to trade for over a year. The important point here is that this will almost certainly cause further supply issues which will not be overcome quickly or easily, the increased demand adding further pressure to supply lines and the net result is likely to see further price rises.

Further evidence on inflation was seen by rising bond yields, last week this had caused uncertainty for stock markets and the commodity markets, both of which declined. Earlier in this report I have addressed the fact that the Fed will likely show their cards, which may happen when the meet on the 17th March. If not, then when they do make an announcement on this issue then we will likely see them intervene to stop the rising of bond yields. This is effectively declaring to institutional investors and indeed the world that they intend to inflate their way of out of their debt. This leads me to reiterate the point I made in the management comments in the accounts current factsheet; I stressed that it is inflation which will most likely be the key driver for the gold value this year, gold is often seen as a hedge against rising inflation and as such the price of gold looks set to climb.

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