RIO ARC BULLION ACCOUNT GBP

Over the past six months to 1st of May the ARC account had recorded a gain of 5.64% which is in stark comparison to the main stock markets. As this year opened, the S&P 500 recorded what was its worst week since the COVID-19 crash, as the market closed below its 200-day moving average for the first time since 2020. The stock sell-off continued and by mid May the S&P 500 had reported the worst start to a year in 90 years, down close to 20%, with the Nasdaq Tech index dropping an even larger 30%.

As this sell-off in riskier assets unfolded the demand for physical gold continued to rise. Last quarter gold witnessed the largest quarterly increase in demand since the fourth quarter of 2018; at the same time, demand was 19% above the five-year average.

Looking forward, the sentiment in the gold market is almost certain to build against a backdrop where there's a growing dichotomy in the gold market between physical demand and paper gold (paper gold being more akin to the US dollar/fiat currency fool's gold). A word to the wise, the reason to hold physical gold as opposed to paper gold is that the physical version protects your wealth from the money printing which ultimately devalues paper money. After all, its the printing of trillions of dollars which is the true cause of inflation today, and the supply chain issues have helped to push it higher. Bullion also provides portfolio insurance against a full-blown stock market meltdown, and or a debt crisis - which is looming. Looking back to mid 2021 I had forecast that inflation was coming and that it would spook stock markets, which it has.

Rate hikes

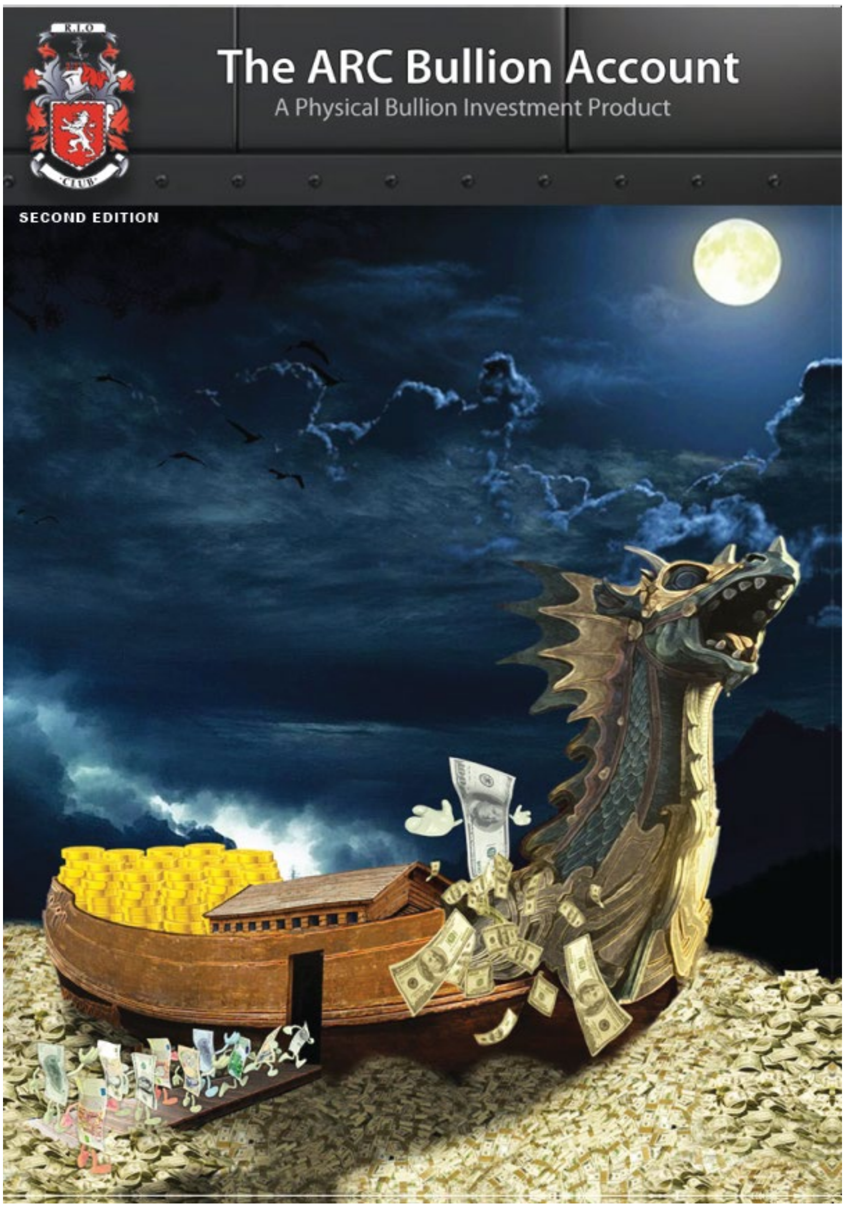
The Federal Reserve's latest two-day policy meeting ended on Wednesday, June 14th, when they announced the largest interest rate hike since 1994, this rate hike may soon be seen for what it is; a vain attempt to tame inflation, inflation after all is apparently driven by reasons which are not in the control of central banks, as they themselves have proclaimed.

Across the pond, The Bank of England also raised its interest rates on Thursday, but by only 0.25% moving more cautiously than other central banks. This was the 5th hike since December. The Bank of England have raised the UK's interest rate to 1.25%; the last time rates breached 1% was in 2009 at the time Gordon Brown was the UK's prime minister.

Inflation

I had been warning members on inflation since mid 2021 as both my ARC reports and Forbes articles reflect (February 2021 Forbes article). I underlined that inflation would replace COVID as the main focus of the financial news, it now has! This is why I had positioned RIO's equity investments in safety during 2021 to prepare for a stock market collapse. This stance has now proven its worth as the forecasted stock market crash has plagued the first half of 2022, fueled by inflation and rate hikes which both drove investors to dump stocks in what was a market sell-off. Many of the mainstream investors understandably ran to safety assets such as gold.

Looking back my early predictions on inflation climbing to over 8% was accurate. Today in the UK inflation has reached 9%, according to the latest data from the Office for National Statistics. I confidently predict is that these rate rises will not slow its rise and that we will see double digit inflation by October. Gold anyone?



I am bullish on gold's outlook in the belief that inflation is running hot, while central banks may soon have to alter their current path and shrug away from slamming the brakes on hard as the risk of an economic slowdown grow. This as the war in Ukraine continues to exacerbate the growing geopolitical divide. As such, a rally in gold in the coming months now looks certain.

My June Forbes article can be found here.

William Gray
The RIO Club