



## RIO ARC BULLION ACCOUNT GBP

The RIO ARC Bullion Account (GBP) gained 0.83% last month. The statistics show that this investment has remained unchallenged as the world's top performing physical gold investment in GBP terms.

Looking back, since August of 2020 gold price has struggled to break out of the downtrend. I would comment that April's rally was *within* this downtrend, and not a breakout from it. I would need to see the price of gold continue rising a little further, before I would feel confident that the correction is now over.

### **Gold the ideal hedge against rising inflation**

What is money? Well, that is a complicated concept in our fiat currency world. Money used to be gold, and nothing else, as JP Morgan famously said. When he said it, money was actually still gold, under the gold standard. But these days, money is a little more flexible.

Does quantitative easing really increase the money supply or just "bank reserves"? Are bank reserves money?

These days, economists have simply got different definitions for different "levels" of money. The names "broad money" and "narrow money", two of the levels of money classification, sort of explain this nicely.

What matters is what is done with the money, and if its spent, how fast its spent, and how often. If the same ten-pound note goes from being spent just once a day, to twice a day, it certainly feels like there is twice as much money moving around in the economy. How quickly the money is spent is what has changed, so the frequency, with which money is spent can, and often does drive a change.

Taking a simplified look at what has actually happened during the pandemic (and also happened in 2008) Central banks created vast amounts of money under quantitative easing (QE). But in 2008 this money was saved instead of swiftly being spent, there in, is a big difference to what had happened in 2008, and in this pandemic. The fall in the speed of which money was spent in 2008 negated the increase in Money. More money was spent less often. The two immense forces offset each other. That's why inflation didn't emerge after 2008, and why it hadn't during the pandemic (well until recently, that is) despite the vast QE.

Simply put, when inflation begins, people historically have to spend their money faster. They try to get rid of it quickly to avoid the loss of value (purchasing power) from holding it (fiat currency effects are accelerating today which will favour gold).

We are now encountering a massive surge in prices of multiple goods and commodities, this due to pent up demand - we will soon see shortages appear across the board which in turn will drive prices higher, I believe that recent debates on inflation won't matter. Inflation will be so obvious that no amount of government statistical fiddling will be able to hide it. They may well say its transitory, and get away with that for months, or even be able kick that can down the road to the end of the year - but then...

When inflation rises, it lets the genie out of the bottle. And as the 1970s clearly shows, it's hard to get the genie back in! These developments could soon prove to be another plus for gold.

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The RIO Club