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RIO ARC BULLION ACCOUNT USD

Gold values hold firm despite interest rate rises, and February's strong non-farm payroll numbers.

Bullion values have remained close to their high as the trading day ended on the 7th February, prices have been further supported by global stock markets volatility ahead of US inflation data which will be released on the 10th.

The Bank of England has acted, by raising rates twice to try to stave off inflation. In a previous Forbes article I had forecast that inflation would not be transitory; recorded statistics continue to show that inflation is moving higher. For example, in the U.K. it rose by 0.3% points between November and December, according to figures released by the Office for National Statistics, which also reported that inflation had climbed to 5.4%. This means that it is now at the highest rate in over two decades and continues to rise. In fact, the Bank of England has recently forecast that inflation is likely to be 6% by April, my take on that comment is simple - It's almost certain to be at least 6% if not more!

Across the pond inflation has also rapidly risen; recent estimates suggest that it may have climbed as high as 7%. In short, inflation when combined with recent economic data, would likely mean that the Federal Reserve will confirm a rate rise at their meeting which takes place on the 15th of March, and given the hot inflationary run I would not be surprised to see a rate rise of 0.5%, double the anticipated 0.25%.

This year gold has already proven is worth; in the first five weeks of 2022 it has acted as a hedge against both falling stock values, and the negative effect which comes hand in hand with increased geopolitical risk. In-fact, by the 2nd of February gold had climbed to a 10-week high due to the Russia and Ukraine issue. Gold held firm despite the strong U.S. jobs report which was released on the 4th of February. In a normal market condition the 467,000 jobs added would have pushed gold values down. Gold held firm as those in power grappled with the fact that inflation is clearly not transitory.

Looking forward, the main driver for the gold price in 2022 will be the Fed’s new monetary policy, with projected interest rate rises often seen as a negative for the gold price. This negative factor is likely to be offset by continued concerns on the spiking inflation, and the fact that its rapid rise may prove difficult to restrain in the current backdrop.

With more rate rises very likely, and given the current increasing tensions in Ukraine, it's almost certain that both would cause gold to rally.

Should the Russia, Ukraine situation result in the threat of invasion, and or inflation continue to move even higher, it could get very interesting in the coming months. Gold was $1,797.16 at the start of February, and had already rallied to $1,820 today, I am almost certain that gold will move higher in the coming weeks.

High nominal yields in the US may reduce what would be the expected flow to bullion, but the reversal of money which had flowed to cryptocurrencies (fool's gold) could potentially benefit gold in the coming weeks. Cryptos had been touted by some as an alternative to gold. They are not!

Cryptos are a relatively new asset class, like gold, they have the appeal of being limited in quantity. And Cryptos also have some draw given that they are outside the stressed, and arguably failing, financial system. However, unlike gold, crypto assets are very volatile; such assets are not suitable for wealth preservation as they are by nature very high risk. Gold, in direct comparison has historically been used for wealth preservation and portfolio protection, and is historically considered a low risk asset. The fact that Crypto currencies collapsed in a free fall in recent months says it all.

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