RIO ARC BULLION ACCOUNT USD

The ARC Bullion Account USD has been the top-performing physical gold investment globally, with net gains of 114.96% since its launch.

During September, Gold opened at around $1,700 and had rallied to $1,730 by the 13th; I sold 5% of the gold to cut the percentage of bullion held by the account. This was executed before the Fed rate hike decision on the 21st of the month. The sale has proven to be justified, as seen by Friday the 16th, when gold sold off as the market began to price in another rate hike, causing gold to fall to $1,663.

As we moved through the rest of September, the metal had fallen to a low of $1,615 before rallying back to $1,660 by the 28th.

Gold may rally back to test $1,700 but remain in the current range for the next few days. Gold ended last week above $1,650, which has been an important short-term psychological level for many investors and technical analysts.

Geopolitical tensions between the US and China continue to rise

Earlier this month, the Biden Administration introduced new rules to restrict China’s access to semiconductor equipment and their components. It also tightened the Foreign Direct Product Rule to restrict China from obtaining advanced microchips. As a direct result, semiconductor stocks plunged in mainland China and Hong Kong. Washington’s actions to further restrict China’s access to US technology have been stepped up.

The War in the Ukraine

Recent troop movement, when coupled with that fact that we've also had reports of Russian combat aircraft arriving in Belarus last week, would seem to indicate that an escalation in the Russia-Ukraine war in the coming days or weeks is likely; a large scale increase would see investors spooked, stock markets could soon be back in a risk-off/defensive mood and we could easily see risk off assets such as gold rally.

An important debate continues in financial markets

Today experts are talking about how much pain central bankers are prepared to bear. Just how bad do conditions in financial markets have to get before they pivot back to loose monetary policy, despite the fact that inflation has not yet come down to their target levels?

The rhetoric coming out of the US is that they will continue to tighten monetary policy until inflation comes down, regardless of what happens in financial markets as a result.

However, if recent events across the pond are anything to go by, such hard-line talk has already been disproven by the Bank of England's interventions in the UK's bond market a few weeks ago. A meltdown in bond prices was enough to reverse planned bond sales just days after the central bank announced them.

That said, some analysts stand firm that the central bank will remain hawkish; but if Fed Chair Jerome Powell doesn't meet these elevated expectations, we are likely to see some profit-taking in the U.S. dollar, which could drive gold prices higher in dollar terms. Every time a potential Fed pivot is mentioned, gold traders increase weightings producing a short-term buying frenzy.

Earlier this month, inflation fears had caused U.S. equity markets to see their most significant one-day selloff since June 2020. Should the Fed remain hawkish and we see another rate hike, this will spell trouble for the stock markets, and markets may again enter a risk-off position. A selloff in risk assets in such a situation is to be expected.

Periods of tight monetary policy to bring down high inflation levels are very unfamiliar to most mainstream investors. But soon, the heard investor will struggle when faced with the prospect of recession and inflation together. There's no substitute for experience; I am a multi-asset money manager with over 27 years of experience and a proven track history.

Although the current market is challenging, there is solid physical demand which highlights the explosive potential in gold and silver when the Fed Funds rate tops out, and we see a pivot.

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