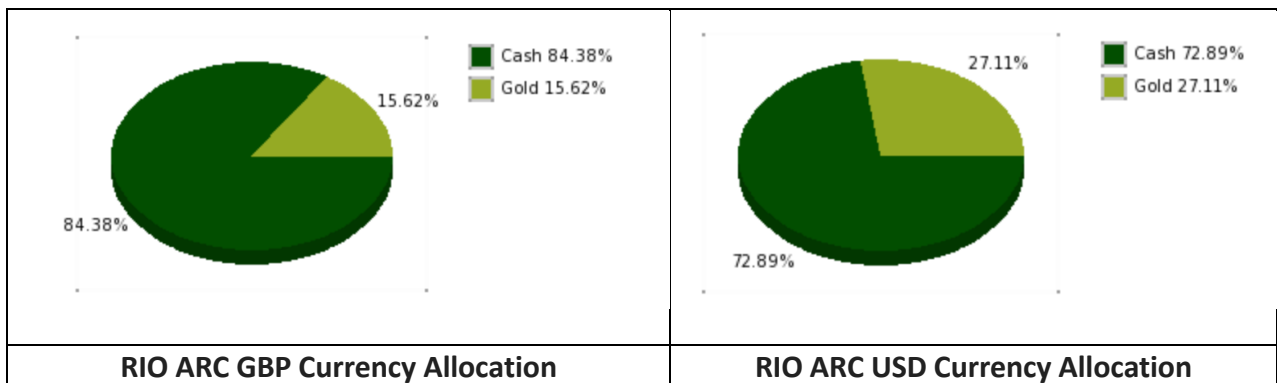




RIO ARC BULLION ACCOUNT GBP/ USD

As mentioned in the end of month factsheets, I sold into the rally though April banking gains for those invested. As such by the 1st of May, The ARC Bullion account Sterling had reduced its weighting to gold to 15.62%. This position importantly taken ahead of the Bank of England meeting on the 11th of May, where I fully anticipated the rate hike given the UK's troublesome inflation, which remains above 10%. Thursday rate hike will likely cause a buying opportunity in gold as market reacts to the announcement.

The ARC Bullion account USD also sold into gold's rally in April and had banked gains in USD terms for those invested, unlike its sister account, and in stark contrast I have increased the physical gold held from 20.12% to 27.11%. The US has both a debt and banking crisis looming, and although they had hiked rates by 0.25% this month, it was as expected and priced in, gold value is supported.



And to add to the fire further additional upside potential in gold comes from the Treasury Secretary Yellen warning that the Government could run out of money as early as June 1st, that is if the House and Senate fail to lift the ceiling. That said, markets fully expect the ceiling to be raised or suspended. But even so, the threat of a potential US default raises more concerns about what has become an unstable global economy. It goes without saying that there would be significant consequences if no agreement is reached on the debt ceiling.

Rate pause likely but not till later this year in my opinion. Why is this important? Well, if Fed strikes a more dovish tone and suggests that rates have peaked or should the US economy start to indicate that it's heading for recession, then the dollar will likely fall, pushing both gold back into rally mode. Between the looming debt ceiling showdown in Congress, critical interest rate decisions, and the ongoing banking crisis, the price of Gold is likely to see some support in US dollar terms. Recent movements indicate that markets in the US have rightly or wrongly priced in a rate cut as early as July.

Our analysts concur with me that if you look at the facts, you'd be more cautious given the recent Labour Statistics, which show that the US economy created 253,000 jobs last month. This far exceeds the estimated number of 180,000 jobs, so no slow down seen, in fact just the opposite. I would further point out that the unemployment rate has fallen in the US to 3.4%, and that wage inflation has increased by 5%. In short - the central bank cannot pivot and cut rates against the above backdrop. Historically when the U.S. economy is adding more than 250,000 jobs per month, it takes at least six months and, more often, one year before the economy starts losing jobs.

But as the Fed continues to tighten the screws, it is creating pressures on other parts of the financial system, as we have started to see a few weeks ago. They wanted to break something, and they did

Banks, which is bad news! But good news if you know how to profit from it, and we do, stay tuned for more on this.

Additional downward pressure likely for the US Dollar, which in turn is good for gold!

China has already executed its first liquefied natural gas (LNG) trade using the yuan instead of the dollar, this fact as reported by Reuters. China has recently underlined an emphasis on settling oil and gas trades in yuan. Doing so helps establish its currency internationally, and it's important to note that as this practice builds steam, it will almost certainly weaken the dollar's grip on world trade.

It's well known that Russia has increasingly embraced the yuan due to the onslaught of Western sanctions. During a visit to the Saudi capital Riyadh in December, President Xi Jinping announced that China would "make full use" of the Shanghai exchange as a platform to carry out yuan settlements of oil and gas trades.

And with the USA's decision to weaponize the US dollar has perhaps helped drive a group of five economically-aligned countries to action, these members of BRICS have potentially agreed on a significant move closer to a strategic alliance to challenge the US dollar's decades-long role as the world's key reserve currency. Members include Brazil, Russia, India, China and South Africa all seem to be aligned on this move. And according to South Africa's BRICS ambassador, there are a further 11 countries who have informally requested to be part of this alliance.

If they agree, that will bring the total number of nations in agreement to 22. And with 22 countries contemplating an alliance to challenge the US dollar's role as the world's reserve currency, the negative pressure on the US dollar looks to be significantly building.

The word on the street is that Saudi Arabia, Iran, Argentina, the United Arab Emirates, Algeria, Egypt, Bahrain and Indonesia have all voiced interest in joining a strategic pact. Sputnik, a Russian state-owned news agency, reported that strength of the BRICS alliance is building and they are now in the early stages of developing a new global currency to circumvent the US dollar. Assets, including precious metals like gold, have been touted as a backing for this new currency.

We are keeping a close eye on the developing situation, keeping in mind that the group are set to meet in South Africa for the BRICS summit on the 22nd of August. The plot thickens.

Recently even the president of the European Central Bank, Christine Lagarde, commented that the euro's adoption has in some ways, been an early move towards a reduction in the dollar's dominant reserve currency role. She went on to point out how uncertainty over the future of the international system is clearly on the increase.

In conclusion, the gold market continues to show investors strong upward potential, prices this are near record highs at or around \$2,030 an ounce; however, while there is a lot of long-term bullish sentiment in the bullion marketplace, the conditions to cause a sustained rally aren't in place just yet just yet.

That said, the brewing storm set to arrive it's an ideal time to invest in the ARC Bullion Account, portfolio insurance in the form of gold it's a must!

William Gray

The ARC Bullion Account