THE RIO CLUB

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RIO ARC BULLION ACCOUNTS

The ARC Bullion Accounts offer wealth preservation in these uncertain times!

Since their launch both accounts have produced strong gains and look set to continue this trend in 2021. At the beginning of last week, as the month closed, gold was trading at a four-month low. Since then values moved upward reaching a one-week high recovering much of the ground lost last month.

Gold values had come under pressure in November due to the positive announcements on a Covid-19 vaccine. The positive vaccine news had driven market sentiment into a risk on position, as such equities moved higher and low risk assets such as gold were pushed lower.

Looking back, last month I had anticipated the usual seasonal gold correction and as such had taken action to lower the potential downside risk by selling 15% of the physical bullion held by the account. That was done on Wednesday the 5th of November at $1,901 and at that time I had envisaged that I should be able to acquire gold back at near $1,850. After all looking back over recent years, gold commonly reached the local bottom either in November or December. So, recently, there has been seasonal weakness between September and December in the gold market, with November being a tough period for the yellow metal. My decision to sell gold for the account was proven correct as it both limited the loss seen last month, and importantly provided additional cash to buy gold at a far lower; on the 1st of December I bought bullion at $1,791.86.

Looking forward, I forecast that we will see higher values through to year-end. As I write gold is at $1,840, the metal needs to break through the critical resistance level of $1,850; if this technical resistance is breached then the metal will almost certainly rally back into its previous trading range.

<u>Gold Movement</u>

The metal had traded at a four-month low and as I remarked in my manager comments in our Factsheets, at that price gold was a buy. Today, investors around the world have seen prices trade at a one-week high. Last month's sell off had driven gold into what was an oversold position, since then it has bounced back gaining over 3% in USD terms.

The shiny metal opened December with consecutive daily gains pushing the precious metal above $1,830 an ounce by Wednesday the 2nd of December, it fell back briefly that day, before continuing higher on Thursday the 3rd. Basically, gold is still in a bull run, and the fundamentals remain intact for a move higher in 2021. The correction in November, as I said, was a buying opportunity for those not yet holding gold.

There are plenty of positive drivers supporting gold's short-term move, including a weaker US dollar, which hit a two and a half year low on Wednesday. This month gold is likely to rise as we move into the year-end and could advance north of $1,860 an ounce as we start 2021. Given the new inflation predictions and forecast gold will be supported.

The fact remains that real rates haven't managed to rise, while the US has its printing presses hard at work putting further downward pressure on the green back which has already seen new lows. With recent Fed announcements underlining a very accommodative tone, an economic recovery will again fuel investment demand for gold, the ultimate inflation hedge asset. This could create a bullish setup for the yellow metal; as we head into December, I predict that the Fed will ease by extending the weighted average maturity of its Treasury purchases.

Last week a number of Fed officials voiced urgency to get another fiscal package approved. Yellen was back in the spotlight warning against a self-reinforcing downturn. Uncertainty will put pressure on the US Dollar giving additional support for precious metals.

There is a building potential for the stock market to experience an equities selloff, it's gone too far too fast, with prices at or near an all-time high, profit-taking before year-end must be on the cards. After all, recent equity performances are crucially dependent on approval of vaccines, while real rates and other macroeconomic conditions are supportive of bullion.

In a number of recent reports, I remarked that gold and silver in the longer-term are viewed positively and the technical analysis would be supportive of a broad market advance in precious metals next year. Last week, platinum rallied above $1,000 for the first time since August 2020, and it appears that this market has finally woken up.

It's my forecast that gold and silver will follow this upward trend as they continue their rally in the coming months.

Gold can decline further in the short term, fluctuations are normal and happen on a daily basis, if they didn't I couldn't buy and or sell. Importantly, the fundamental outlook remains positive for the precious metal no matter what the case is with gold’s technical performance. Members should note that regardless of when the vaccines against the corona virus are distributed around the world and when the pandemic comes to an ultimate end, the global economy will not recover immediately, and at best it would be well in to 2021 before things begin to improve. That said, RIO have already identified which markets will spring to life first given the new administration in the US and current status quo of the world economic condition.

The next fiscal stimulus should finally be delivered by US policy-makers soon, this will add to the skyrocketing indebtedness, it will in turn levy additional downward pressure on interest rates (negative rates look more and more likely). If we see negative rates the US Dollar will weaken much further which will be supportive of gold price. The greenback has been for a long time the safest of all the fiat currencies, but the dollar has recently been fast losing its attraction with interest rate cuts, and the colossal rise in America’s fiscal deficits. This is positive news for gold, which is long considered the ultimate safe haven asset in such testing times.

Gold has the crucial attributes of a safe-haven asset; it is an asset that is uncorrelated (weak safe-haven) or negatively correlated (strong safe haven) with another assets or portfolios in times of market stress or turmoil. Why hold a safe-haven asset? It protects your portfolio during times of crisis. Members should note that a safe-haven asset retains its value or even increases in value during times of market turbulence, this is very important as most other asset prices decline. I would stress that gold is commonly considered to be the ultimate safe haven in times of financial or political uncertainty, since it is not at risk of becoming worthless, unlike fiat currencies or other assets which bear credit risks.

Looking forward to 2021, many analysts agree with me that they expect gold prices to push over $2,000 an ounce next year. For those interested in silver, I would forecast that the shiny metal will average the year around $28.00 an ounce but a surge in economic activity could push silver close to the $30.00 an ounce level. Silver will of course continue to benefit from gold's rally and receive a boost from rising industrial demand next year. Silver industrial demand is forecast to move back in line with levels seen in 2019. I expect to see the gold to silver ratio continue to fall during 2021 which means that silver would outperform gold, remember though that Silver is more volatile than gold and thus carries additional risk. Higher platinum prices are also likely in 2021.

Gold and silver have both pushed off critical support levels after dismal November performances. December gold futures last traded at $1,843.50 an ounce, up 0.73% on the day; meanwhile, March silver futures last traded at $24.135 an ounce, up 23% on the day. Even as vaccines get distributed in 2021 I for one don't expect there to be a return to normality until at least mid-2021. Importantly, gold will continue to see positive upside from further stimulus measures, low bond yields, and rising inflation pressure.

In the current market valuations and condition the bond market's ability to act as a hedge against equity price corrections are negligible, so gold will fill this void nicely. Last but certainly not least, is the all new Biden administration which will find it hard and very challenging given the current US China relationship, while geopolitical risks remain harrowing. Yesterday the US announced that it plans to impose sanctions on Chinese officials over their alleged role in Beijing's disqualification of elected opposition legislators in Hong Kong, according to a US official. The move is expected to target officials from the Chinese Communist Party (CCP). Beijing has previously condemned US sanctions related to Hong Kong, calling it interference in China's internal affairs. All of the above when coupled with rising inflation expectations will almost certainly drive investment companies and traders in to safety assets (gold), if I am proven correct this will continue to underpin gold's investment value and drive values higher in 2021.

<u>US national debt reaches 143% of GDP</u>

The new administration takes over with October filings showing the US national debt at $27 trillion, that representing a whopping 143% of their GDP. Biden is going to find it difficult to deal with this economic-financial situation. Governments have various scenarios for dealing with massive debt burdens, including taxation, growth, inflation or default. Out of all these scenarios, inflation is the easiest option, and in that environment, gold will shine as the best alternative asset for wealth preservation period.

If you want to try to preserve capital, holding gold has historically proven to do just that.

Today, interest rates are at all-time lows, it won't take much of an increase to impact consumer purchasing power. Members should note that $17 trillion in global government bonds already offer negative real yields, which includes inflation pressures. The market will soon factor in that $4.4 trillion has been added to the debt this year, you would have to see growth of 25% to deal with the debt created. The US would have to have a 100% tax on 25% growth to bring the budget back into a steady state with the deficit.

Across the pond the Bank of England policymaker Michael Saunders said that the central bank can cut interest rates into negative territory while also urging the bank towards pumping in more stimulus to cushion the impact of the pandemic. If the BOE cut interest rates to negative it would in turn send gold on a strong rally.

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