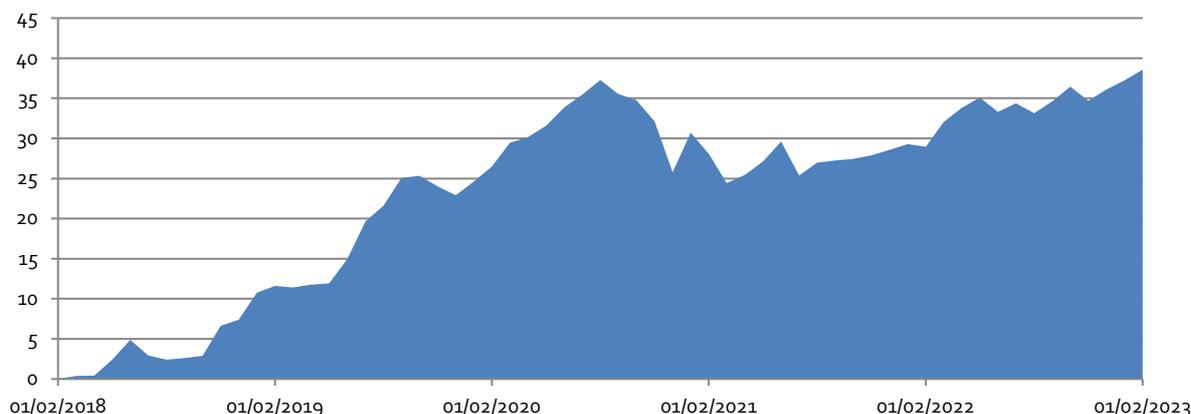




The ARC Bullion Account Sterling gained 0.96% during January, thus adding to the gains posted during 2022. January's close was important as this is when I had correctly positioned the ARC for the strong US non-farm payrolls and CPI numbers which have since been reported, meaning that the action taken to reduce gold holding prior to the release of these statistics has been proven its worth.



I had sold gold in December and January taking profits for those invested as a result the ARC Bullion Account Sterling held only 24.63% of its total assets in physical gold, the remaining 75.37% was held in cash. Experience had led me to decide that I would not reacquire the metal initially but instead hold January's weighting, this not only significantly reduced the downside risk for those invested but has now presented me with the opportunity to reacquire the gold previously sold at a far lower cost. I will look to acquire the gold a little closer to the \$1,800 mark which is the next level of technical resistance. As always, it's not just about banking gains - it's also about reducing potential loss while you reposition.

## Gold

During 2022, gold demand increased by 18% to 4,741 tons. Members please take note - this is the highest level of demand in 11 years according to the official statistics filed for last year. The increase was due to a combination of increased central bank purchases, and strong retail investor buying. The fact that last year was comparable to that in 2011 is of relevance as 2011 was a time of exceptional investment demand.

Central banks purchased 1,136 tons of gold in 2022, to underline the importance this was the second highest level of net purchases on record, dating back to 1950. The massive printing of US Dollars has been one of the main drivers which have driven Central Banks to diversify out of this fiat currency, this year marks the 13th consecutive year that we have seen net central bank gold purchases.

The central banks of Turkey, India, Uzbekistan, and many others reported purchases. Conversely, today it is strongly believed that there have been significant and unreported acquisitions by central banks such as China and Russia, who often do not report their buying. Many analysts believe that China is stockpiling gold to minimize its exposure to the US dollar.

## China

Some years ago in a detailed report, I highlighted the fact that our research led me to believe that China is stockpiling gold, today many analysts would concur with my opinion. Why are they

stockpiling? The simple answer is that this is to minimize their exposure to the US dollar. In fact, The People's Bank of China have recently announced its return to the gold market and has been on the side line since 2019.

China have now officially declared their physical gold holdings at over 2,000 Tons. China pushed its reserves over 2,000 Tons with their acquisitions in November and December 2022, acquiring 62 tons each month.

### **Investor Demand**

In 2022, investment demand for gold witnessed a 10% increase year-on-year, totaling 1,107 tons. The second half of the year was particularly strong for bar and coin buying, which recorded two consecutive quarters of demand for around 340 tons.

This is an important indicator that underlines the strong investment demand, the last time that this amount was purchased two quarters in a row was in 2013. Investors from the West are beginning to develop a stronger appetite for gold it seems; with the US and European acquisitions of gold bars and coins reaching 427 tons, this exceeded the previous record set in 2011 of 416 tons. Institutional investors, who primarily buy and sell paper gold (fool's gold), were not as bullish on gold in 2022, this again demonstrates the diversion between actual physical gold and paper gold. To state the obvious paper gold carries a third-party liability, physical gold has no third-party liability.

### **Mining Production**

The gold supply in 2022 only marginally increased, rising 2% last year, with mine production increasing even less by just 1%, but this was a four-year high of 3,612 tons. Despite the rebound in mine output, it still has failed to reach the record seen in 2018, and gold production may be close to its peak. It's certainly worth taking into consideration the fact that it takes years to bring a new mine online.

### **Recent Gold Spot price movement**

Statistics show that gold prices fell back as a result of the strong US non-farm payroll data, the downward pressure caused by the strong payroll data which in turn fuels concern that the Federal Reserve may continue raising interest rates. Today, Gold prices are near their lowest since early January, as the U.S. dollar strengthened following the release of the latest U.S. consumer-price index report.

The U.S. dollar advanced following the release of Tuesday's U.S. CPI data, the numbers were hotter than expected and this in turn prompted investment houses to reposition for the possibility that the Federal Reserve could push its policy interest rate above the 5% level.

### **Conclusion**

Looking ahead to year-end, the Fed may have to change its stance once again to reduce rates and the likelihood of gold again surpassing the \$2,000 mark appears plausible. As such, buying during the short-term corrections may indeed be a wise decision, an opportunity that will not be ignored by the central banks.

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