THE RIO CLUB

01 September 2019

RIO ARC BULLION ACCOUNT (USD)

The Account gained 2.21% during August, this month being its fifth consecutive gaining month.

Given that gold had rallied strongly over the past three months, pushing the metal to a five year high, I retained the safety stance taken in July to protect the gains already banked. In my previous report I had forecast Gold to push above $1,500. It has done so in a matter of months.

As such the Bullion market is very much in 'Bull' mode but, backed by over 20 years of trading experience, I am well aware that such sudden gains increase the down side risk and simply put a correction is likely. That said, I expect to be able to buy in during the forecasted correction, as always this strategy allows RIO to produce constant gains, but importantly at a reduced risk to the investor.

During early August, research had indicated that most traders had expected institutional profit taking during the month, and such profit taking would have almost certainly pushed gold into correction territory. This would have produced a buying opportunity; however, I found such an opportunity to remain elusive during the four weeks period. The reason for this was that the price of gold had been supported as a direct result of the escalated rhetoric between the US and China, which added fuel to the ongoing trade war. Prior to this new wave of rhetoric, Bullion had begun to consolidate.

Should we see a correction, this would be almost certainly followed swiftly by a rally since bullion would likely see renewed buying from both institutional buyers and traders. This could easily push the metal to a new high as we move through September, which is historically a favourable month for gold.

So far this year, gold has gained 19.59%, the shiny metal is now trading above the important $1,500 mark for the first time since 2013. This can be attributed to the run to safety, many now viewing Bullion as one of the few safe havens in today's market.

Recently main stream investors have also began buying into gold on expectation that the Federal Reserve and other key central banks will cut interest rates aggressively for the rest of the year. There is also a growing number of people who believe that the ongoing U.S. - China trade war will not be resolved soon. These issues both support the current price but there is also the fact that, in the current arena, we shall almost certainly see central banks continue to increase gold reserves.

Looking ahead, detailed analysis has shown that there has been much short term or "hot money" buying into gold's recent moves. This money has been taken from both the bonds and equity markets. It is very likely that, should gold see a slowing of its meteoric rise or should it consolidate further in coming weeks, this hot money will almost certainly be pulled out of this commodity. Such action would simply add further to my current reasoning, and possibly underlines the fact that a correction in gold in the short term is becoming even more likely.

Currently the long-term resistance for spot gold is at $1,558/ounce. From a technical perspective, prices may rise to $1,565 or push to $1,590, that is if they continue to trade above the $1,500 range.

William Gray
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