



## RIO ARC BULLION ACCOUNT USD

The ARC Bullion Account USD returned 1.37% during January, this adding to the gains posted during 2022. I draw attention to January's close as this is an important period, looking back I had correctly positioned the ARC for the strong US non-farm payrolls and CPI numbers, which have since been reported. The point being that my sell down and reduction of the physical gold held prior to the release of these statistics has proven its worth on two fronts, as detailed below.

I had sold gold in December and January, taking profits for those invested. As a result, the ARC Bullion Account USD held only 25.85% of its total assets in physical gold, and the remaining 74.15% was held in cash. Experience had led me to conclude that I would not reacquire the metal initially but instead hold January's weighting awaiting a fall back. Today we can see that this had not only significantly reduced the downside risk for those invested but it had also presented me with the opportunity to reacquire the gold previously sold at a far lower cost. I was able to acquire the gold at far closer to the \$1,800 mark, in fact I bought at \$1,809.

### **Gold - inflation proves vexing**

Gold was heading for its best week since mid-January following a hot EU inflation print and strong economic data from China (a strong buyer of gold). This resulted in a softer Dollar and gold moving higher to challenge the 21-Day Moving Average, on Tuesday the 7th and the metal was priced at \$1850 for the first time since February 14th. Earlier in the week, a Fed official had commented that US Fed funds rates could rise to 5.25% and stay there well into 2024. Still, with the market already pricing a terminal velocity above 5.5%, the impact of his comment had a very muted effect. Since then we have seen further rhetoric on rates from Fed chair Jerome Powell who carries more weight. As such gold could move back closer to the \$1,800 mark. Should it breach \$1,800 it could lead to a buying opportunity as we'd likely see \$1,750.

It is also worth noting that this week's ten basis point jump in US 10-year bond yields has primarily been driven by rising breakeven rates (inflation), leaving real yields close to unchanged. As members know from my comments on inflation, it's my long-held view that inflation will hang around longer and prove difficult to curb. Over time, if I am proven correct, this will force a reevaluation of the status quo and with that we may see the future inflation expectations settle higher than previously forecast by government pundits. This lasting period of inflation, coupled with underlying demand for gold from central banks, will support the upside potential for the shiny metal. Recent data and rhetoric from the Fed has led to the market pricing in a rate hike in March, which in turn, had driven gold down at the end of February in line with my forecast.

This gave me the buying opportunity I had awaited and I acquired gold at \$1,809 utilizing 8% of the cash held by the ARC Bullion account to do so. The current recovery would almost certainly gain support from technical traders should gold breach the \$1870 level, as this could signal that the current correction period is over.

In my previous report I highlighted that Central banks are increasing their gold reserves rapidly, and had pointed out that nations are diversifying away from the US dollar and US dollar assets such as treasury bonds. Since the War in Ukraine, we are now seeing certain countries band together to create non-western trading institutions of various types, including commodity exchanges, trade systems and more. Over time as this builds, it will begin to put negative pressure the USD.

In short, the conditions for a sustained rally in gold have simply improved. Monetary policy is more manic today than ever, with faith in central bankers also beginning to wane. It would be wise to hold portfolio insurance - buy gold to protect your wealth! The ARC Bullion Account is an ideal investment choice as it is both physical gold and is actively traded.

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The RIO Club