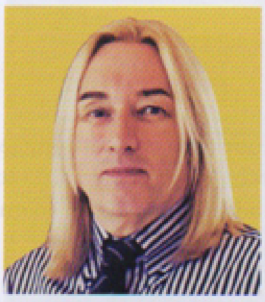
WILLIAM GRAY IS AN EXPERT IN PRECIOUS METALS WITH OVER TWO DECADES OF ACTIVE MANAGEMENT EXPERIENCE IN THIS FIELD. HIS STERLING-BASED ARC BULLION ACCOUNT, AN ACTIVELY TRADED PHYSICAL BULLION INVESTMENT, HAS RETURNED OVER 78.88% SINCE ITS LAUNCH IN DECEMBER 2014.

IN GOLD WE TRUST



GOLD STORAGE underwent a most significant change in the past seven decades, as more and more countries elect to repatriate their bullion. Is this a trend or just the start of something more sinister?

Turkey is another nation who has joined the growing list of nations who have been repatriating their bullion. Germany, Holland and recently Hungary have all taken the time and effort to bring the physical metal back home. This is the biggest change in how and where countries store their wealth in decades.

This trend is perhaps even more worrying should one consider the fact that Germany's central bank had pushed the U.S. to complete the bullion transfer swiftly and to repatriate the country's gold from New York and Paris three years ahead of schedule. Germany pulled out all the stops to get this exercise completed. In fact, they didn't flinch that bringing the date forward would lose them money; they focused in getting the shipment expedited ahead of time.

Looking back, it had been expected that repatriation of the gold would take till 2020 to complete. The massive exercise involved the return of 300 tonnes from New York, and 374 tonnes of gold from Paris. Following swiftly on Germany's heels was Holland, which repatriated 122.5 tonnes of their reserves during 2014 from the Federal Reserve Bank of New York.

Germany's actions perhaps best reveals that these massive changes in wealth storage are being driven by something more than has been publicly announced to date, especially given the Bundesbank's hurry to get their gold back at any cost. Initially, Germany had started the repatriation program back in 2013 and had accepted that their gold would be returned by the U.S. over a five-year period. However, the U.S. Federal Reserve renegotiated the return for a seven-year timeline. Personally, I feel that this almost certainly had raised a red flag with Germany.

Last year Germany, who officially holds the second largest gold reserves in the world, said that it had completed the repatriation of 674 tonnes from the Federal

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> **In the words of the Financial Times Italy is "too big to fail and may be too big to save."**

Reserve Bank of New York, and the Banque de France. Today Germany retains more than half of its total gold reserves, around 3,378 tons in Frankfurt, having repatriated more than $25 billion dollars worth of gold from the vaults of the U.S. Federal Reserve and the Banque de France. The last batch of gold bars arrived in Germany during August 2017.

The recent developments represent a colossal change in how countries store their wealth. In Germany's case, for example, it had previously held most of its gold abroad as had been the case since before World War II. An important consideration is Germany's experience with hyperinflation between 1919 and 1923 during the years of the Weimar Republic. In Germany today, gold above all still stands for stability, a very pertinent point to bear in mind today given the current status quo.

Recently, the Turkish media reported that the country brought back all of its gold. The bullion had previously been stored in the U.S. Federal Reserve. The reports in-

dicate that the Turks repatriated all 220 tonnes from the U.S. sometime last year. Their gold reserves currently rank them eleventh in the world, with about 526 metric tonnes, according to statistically compiled data. As of March 2018, the Turkish central bank reported that its gold reserves amounted to $25.3 billion.

As I have pointed out, governments over the past few years have moved towards holding physical gold in their own vaults. These countries are behaving as if they are losing trust in each other and the financial system given its current status, which is looking less stable.

During May, Italy's central bank warned that the nation was only "a few short steps" away from losing investor confidence. As a result, financial markets suffered the biggest sell-off in years on fears that repeat elections would become a proxy vote on euro membership. The Bank of Italy's governor raised the alarm as investors dumped Italian bonds, causing the biggest one-day leap in short-term market interest rates in almost three decades, while the head of state sought to install a stop-gap government.

Digging deeper I estimate Italy's non-performing loan problem is around 349 billion euro, a big number as it is more than Greece's default and it is close to the size of the losses on sub-prime mortgages in the U.S. during the 2008 crisis.

The basic takeaway is that the banking system has a problem the size of Greece in 2012, and American subprime mortgages in 2007, and that cannot be good news.

In the words of the Financial Times Italy is "too big to fail and may be too big to save."

Deutsche Bank last year put it into perspective: they stipulated that with Italy nearing an election, and with high populist party support as well as a generationally underperforming economy, a comparatively huge debt burden, and a fragile banking system that continues to have to deal with toxic debt holdings, this country looks like it ticks all the boxes to perhaps become the next financial crisis.

That said, it is also strange that the price of gold is not reacting to these events. This is unusual, which raises the question as to whether there has been some price manipulation as has occurred in the past.

Gold remains one of the few real alternatives to fiat money. Today we see the cracks in the current stressed financial system as more and more people begin to doubt that they can trust central banks. F