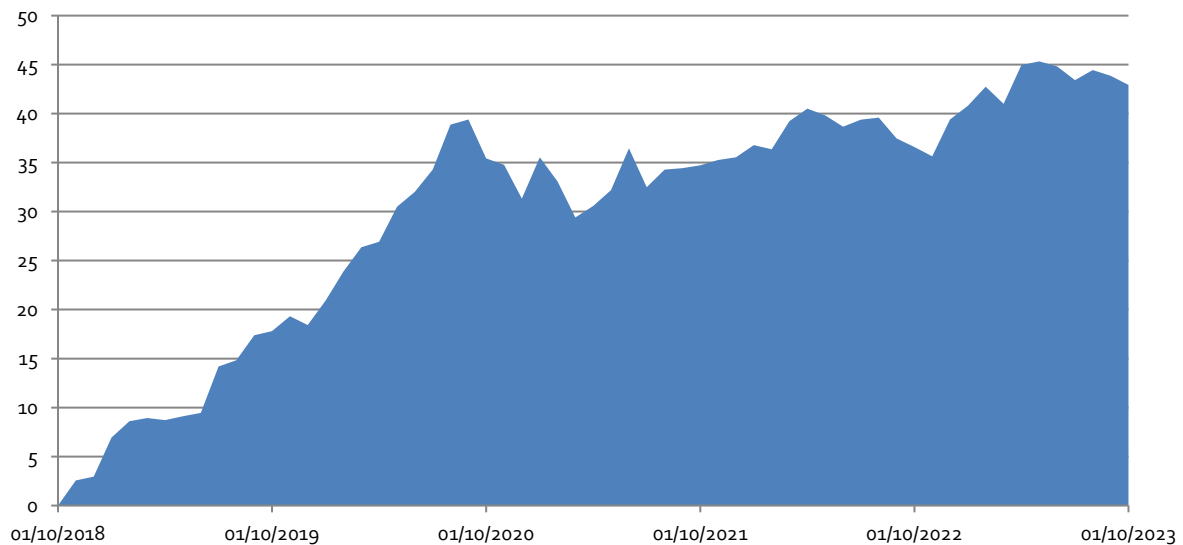




The ARC Bullion Account USD lost 0.65% during September, in comparison the gold price had fallen 4.73% in the same period, the correction mainly due to the US dollar which had continued to strengthen on the back of a predicted rate rise .



Last month the short-term economic conditions were technically bearish for gold, as the falling price demonstrated. But the alarm bells are beginning to ring as the global economic outlook worsens. Previous RIO reports had warned members that the years of cheap/free money would cause debt to rise if unchecked; rising debt was not held in check, and today debt is at an all time high. This, when coupled to months of interest rate hikes, maybe the beginning of what may soon be seen as a failing in the financial system. In turn, as this comes to the fore, it will almost certainly negatively impact the global economy. Each of our analysts have agreed with me that central banks are now unlikely to get the soft landings which they have touted and as a result there could be trouble ahead.

As September closed, the strong headwinds had proven too much for gold, and as a result, the metal gave up critical near-term support. It may not be very reassuring for some to see gold's price action, but I would comment that the sell-off hasn't changed the broader landscape. Analysts would underline that despite the sell-off, gold remains relatively well. The demand for gold as a hedge against a soft-landing failure is unlikely to change, especially now since the outlook for a soft landing in the months ahead looks increasingly challenged. Gold is likely to rally higher as this unfolds.

Fortunately, I had been well prepared for Septembers price action; in my manager comments of 1st July, I had correctly underlined that even though gold has managed to hold above this critical psychological level, I firmly believed that any rally would be short-term and, as such, I

will sell into any rally taking profits to safety. In the comments of the previous quarter, I had also forecast that gold prices could see limited gains should the metal remain caught in a tug-of-war between competing forces in the marketplace. So it was armed with some conviction, that I sold and took profits through this quarter.

It was this strategy which enabled me to offset much of the negatives of gold's correction.

William Gray
The RIO Club