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Gold Set to Post an All Time High

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As previously stated in earlier columns for Forbes Indonesia, I have been of the belief that the current inflationary pressures were not going to be transitory and that, going forward, inflation will prove harder to control. Jerome Powell commented recently that he felt there is upward pressure on inflation, and his recent comments suggest that he now believes that inflation may linger longer than first anticipated. The Fed has also openly said that the supply chain crisis is not as transitory as they had previously forecast. During February things changed for the worse



daily, and the volatility in equity markets likely to remain for some time as a result of the crisis, gold looks move much higher. Gold has already begun to benefit from major inflows of money pushing the metal, at the time of writing, to \$2,020 per ounce, an 18-month high.

The unforeseen impacts of the above crisis came just as central banks were beginning to tighten their monetary policies in order to pull back the policies implemented to combat the pandemic. Should they continue in tightening their monetary policies I believe there is a very real risk that central banks will create stagflation, an environment of low growth and high inflation. Should that happen, central banks will be forced to reverse course; in turn that would mean that real interest rates will remain in negative territory. Either way gold is almost certain to continue its rally as its one of the very few alternatives to bonds and or the USD.

Gold has a unique role in the monetary system and is often seen as the currency of choice in a crisis. This will likely become apparent due to the recent restrictions imposed on Russia's central bank. With Russia's central bank announcing that they have resumed buying gold, making purchases from its domestic market, they are attempting to establish some financial stability amid the far-reaching new sanctions which followed the full-scale invasion of Ukraine. At the end of January 2022 Russia had almost 2,300 tonnes of gold, at that time, the fifth largest sovereign gold reserves in the world. Moscow doesn't need to sell its gold and can leverage its reserves for instance, to continue some foreign trade, most likely with China. That said, should Russia start to sell gold reserves in large quantities this would put downward pressure on gold; this may happen if the ruble continues its free fall.

I previously forecast gold would rally above \$2,000, it has. Against the current back drop, potential Russian sales aside, gold is likely to rally to a new all time high. **📈**



→ Gold had been in rally mode on fears of rising inflation; the war in the Ukraine has just added fuel to its upside. Gold is now almost certain to post all time high!

with Russia invading Ukraine on the 24th. Now into its second week, disruptions to the flows of several major commodities coupled to an increasingly severe program of sanctions being imposed by most western governments, is leading investors worldwide to run to safety assets such as gold. It had already rallied as inflation spiked in the US, it stood at 7.5% for the twelve-month period to January 2022, a 40-year high. Today, with geopolitical tensions climbing

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