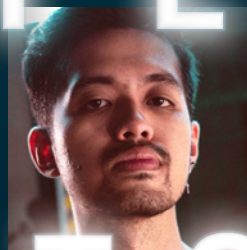
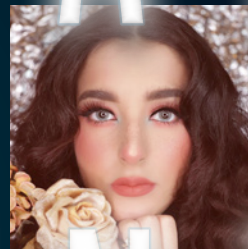


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By William Gray

Gold Set to Continue Its Rally This Year!

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Gold is almost certain to rally higher this year. There are many reasons why, including the likely arrival of negative interest rates, however it is an expected return of inflation which I believe will be the main driver for gold prices in 2021. The triggers are already set to push inflation higher and if this occurs, it will almost certainly send gold rallying back above the \$1,900 range.

Looking back, last year the pandemic significantly reduced economic activity, and not surprisingly this inactivity pushed inflation in many economies down to near zero, acting as a deflationary brake despite the trillions of dollars which were pumped into global economies to support spending. This year is different, as the effects of continued massive stimuli spending by governments, thus significantly increasing the money supply, combined with the recent house, food and asset price rises, indicate that inflation looks set to rear its ugly head. I for one would be very surprised if inflation didn't rise this year; gold is a popular hedge against inflation and as such it will likely rally on any signs of a move upward on the inflation front.



Given the current status quo it is likely that we will see governments forced to keep monetary policy accommodative, they may simply have no choice. Additional stimulus packages in major economies such as the \$1.9 trillion suggested by the new Democratic administration in the USA will add significant fuel to the inflationary fire. This supported by consumer price inflation could easily send inflation well above expectation, and

in turn send gold to a new high; even above the current record of \$2,067.16. It may be of interest to note that several governments have been trying for years to get inflation back into their economies with no success, they may finally get their wish. However, it may be a case of being careful what you wish for as against the current back drop, if and when inflation arrives, it could run rampant for years to come. Today most analysts agree that inflation is on the cards and if correct, gold's bull run may soon take center stage.

In the short term there may soon be an opportunity to acquire gold at a lower price during its current price correction. The fall in value, mainly the result of a new government now in power in the USA, and this opportunity is looking more certain as the Democrats now hold a 50-50 position in the senate as well as controlling the House. The newly elected government's strong position should see a short term gold sell off. The market will further embrace the current risk-on sentiment but any stock market rally is likely to be temporary, equities are already at an all-time high and most stocks look overvalued, this especially applies to the US. When you consider that both bankruptcies and unemployment are rising steadily it is gold which is the smart play.

It's important to note that this pandemic won't last forever, and with recent vaccines being rolled out at great speed worldwide this pandemic may soon be under control. People all over the world have endured massive restrictions, when they are lifted travel is almost certain to witness a surge, and with both the lockdowns and restrictions out of the way, I forecast that we will see massive consumer spending as it catches up with fiscal stimulus, the net result will be price rises, again pushing inflation upward. Buy gold. 