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From left:
Rama Raditya, Cofounder & CEO of QLUE;
Christopher Madiam, Cofounder & President;
Chrisanti Indiana, Cofounder & CMO;
John Rasjid, Cofounder & CEO of SOCIOLLA

THE A-LIST 2019

INDONESIA'S MOST PROMISING GROWTH-STAGE STARTUPS

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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.

THE GOLDEN YEARS

AT THE TIME of writing bullion had gained 13.68% in US$ terms, and 20.43% in sterling terms in the past six months. Today, gold is valued at just above $1,500/oz, and now remains near a six-year high, boosted by its safe haven status. Gold has since pulled back modestly but, following some consolidation, I would expect gold to rally above $1,600/oz before year-end.

The conditions developing today in the gold market indicate we are potentially at the start of what will become a significant gold rally. Some consolidation of a rapid breakout has arrived, as anticipated. However, I would not recommend chasing the market higher, but would buy on weakness.

Early warning signals are forming, which could benefit gold value

The difference between the yield on the two-year and the 10-year Treasury bond is referred to as the yield curve spread. When the shorter maturity bonds have a higher yield than the longer dated maturities, it is one of the most reliable lead indicators of future recessions in the United States. The spread is viewed as a useful indicator for the US market because the inversion, anything from six-18 months in duration, tends to offer a substantial lead indicator for a future recession. It inverted in August so the clock has already started ticking on the next US recession.

Gold does well and is one of the best hedges against recessions, because government meddling with the financial tools increases when faced with economic compression. They start spending money, which they don't have and the central bank starts printing it. Generally, the currency takes the brunt of the pressure from contracting economic activity. By contrast an asset in limited supply, like gold, shines.

It is important to highlight that the stock market has a strong record of rallying when the yield curve first becomes inverted, and when the recession starts. This happened in 1998, ahead of the bubble peak in 2000. It also happened in the first inversion in late 2005, ahead of the market peak in 2007.

The stock market today is firming and again history is maybe being repeated with the arrival of a last US market rally. If this happens then it will also likely be the catalyst for a pause in the gold price, as potential for the next breakout builds, which will push gold higher. One thing is certain; the nature of the market is to price in future outcomes, as such the market will price in the outcome sooner rather than later.

Gold: the ultimate insurance policy

During the 2008 financial crisis gold rallied 150% as stocks crashed; had 20% of an investor's asset allocation been held in gold it would have offset losses. More recently, gold rallied from GBP700/oz, to over GPB1,000/oz in anticipation of the Brexit vote.

In periods of high uncertainty, gold is a must.

I see the biggest medium to a long-term positive for gold prices being the increasing likelihood of embracing Modern Monetary Theory. This approach brings with it a new view where "earnings don't matter" or "debt doesn't matter".

It is reassuring that gold has been traded as a form of currency for thousands of years. In fact, it was 17th century goldsmiths who created the banking industry, as we know it today. Gold's rarity and adaptability ensure that it is tradable throughout the world, and the ultimate store of wealth.

From a wealth-protection viewpoint gold bullion importantly sits outside the stressed banking system. When investments or pensions are converted to physical gold, this is essentially removing them from the banking system, and any counterparty risk associated with such a system. F