

## Gold Sector: Beware the Ides of March

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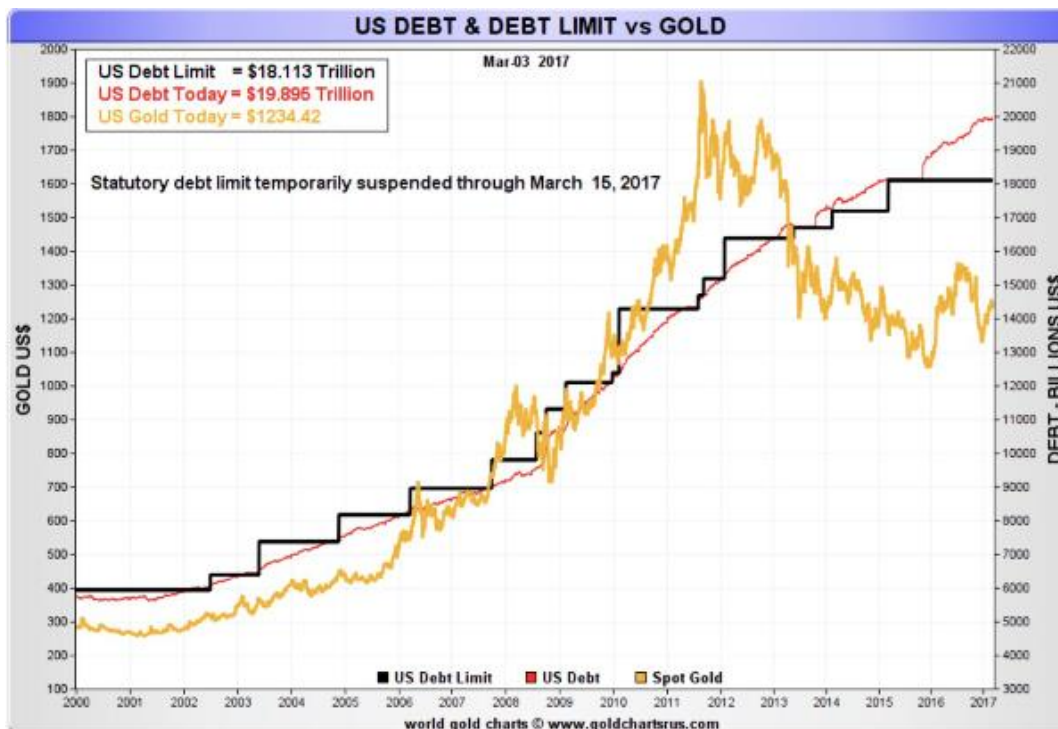
The Ides of March is a day on the Roman calendar that corresponds to 15 March. It was marked by several religious observances and became notorious as the date of the assassination of Julius Caesar in 44BC.



Reverse side of a coin issued by Caesar's assassin Brutus in 42BC, with the abbreviation EID MAR (Eidibus Martiis – on the Ides of March)

On Wednesday next week (15 March), there are three noteworthy events taking place.

- The Fed meets to discuss interest rates with 95% market expectations of a 0.25% hike,
- The Netherlands hold its general election (with the potential for an anti-establishment shock),
- Perhaps most interestingly, the US debt ceiling, suspended for 15 months at US\$18.1 trillion in October 2015, is scheduled to be reset. While the Republicans control of both Congress and the White House should make for smoother budgetary sailing, we have no doubt that there will be complications. With US national debt now at US\$20 trillion, the debt limit will have to increase by (at least) US\$2 trillion! This increase is so big that there will most likely be massive reluctance to accept it. Bearing in mind Trump's infrastructure and investment mandate, it is most likely that the current administration (like every other previous administration) will ignore the debt ceiling and carry on spending. **Whatever the outcome, we suggest that the discussions over the debt ceiling will refocus attention on the (increasingly) stark divergence between credit expansion and the lagging gold price. This could be bullish for gold.**





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