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BFI

THE DIGGER QUARTERLY

A quarterly review of precious metals markets, big picture trends and wealth preservation topics worth your while.

The Golden Arrow

Precious metals outlook: The only constant in a fast-changing world

By Scott Schamber

If the past few years have taught investors anything, it is that the old playbook no longer applies. Markets that once moved relatively predictably in response to certain events or broader trends now seem to have decoupled from geopolitical flare-ups, policy shifts, and financial or economic stresses.

From the outside, especially from the perspective of an ordinary working person with bills and taxes to pay, stock markets appear divorced from reality. This is particularly problematic at a time when real-world events are spreading uncertainty at a scale we haven't seen in a very long time.

Parallel realities

Over the last decade, but especially over the last few years, this decoupling between the real economy and the picture that stock markets paint has become increasingly pronounced. This is most evident in the US, where the "Everything rally" that we recently wrote about hasn't been fazed by what's been going on in the background since the covid crisis recovery (that a lot of ordinary Americans still haven't recovered from). Real inflation never really went away, household debt reached a record $18.8 trillion in Q4 2025, driven by >>

Editorial

Dirk Steinhoff
CEO

Although the first quarter of the year hasn't offered much ground for optimism, especially regarding the state of global cooperation and return to peaceful times, it did provide investors with a stern lesson on risk management in times of actual, global and severely elevated risk. Long-term precious metals investors were particularly rewarded for their patience, and will likely continue to to be, given the inflationary times that could lie ahead due to the energy shock that was triggered by the ongoing war.

There is, however, a recurring misconception during geopolitical crises that gold should immediately "skyrocket" in real time. Gold is a forward-looking asset and it tends to price in risk before the crisis becomes obvious. That's exactly what we saw this cycle. Gold reached record highs in the lead-up period, driven in large part by sustained central bank accumulation. According to World Gold Council data, central banks have been net buyers for over a decade, with purchases accelerating significantly in 2022–2024, marking some of the highest annual inflows on record. In other words, the move already happened when positioning mattered the most.

What we're seeing now is gold fulfilling its core function. When stress actually hits, institutions don't chase the price higher, they use the gold they accumulated. Turkey is a clear example of this: it recently sold substantial amounts of gold reserves to stabilize its currency and support domestic liquidity. That is precisely the role gold is designed to play in a crisis environment. After a strong pre-crisis rally, consolidation and sideways price action are to be expected, as they build the base for the next leg up. For investors already holding gold, this is confirmation that it's behaving exactly as intended. For those without exposure, this period presents the window of opportunity to build one.

rising mortgage, credit card, and auto loan balances, while corporate America continues the mass layoffs that started last year into 2026. Meanwhile, searches on Google for the phrase "can't sell house" have surged to levels higher than the 2008 financial crisis and the covid crisis.

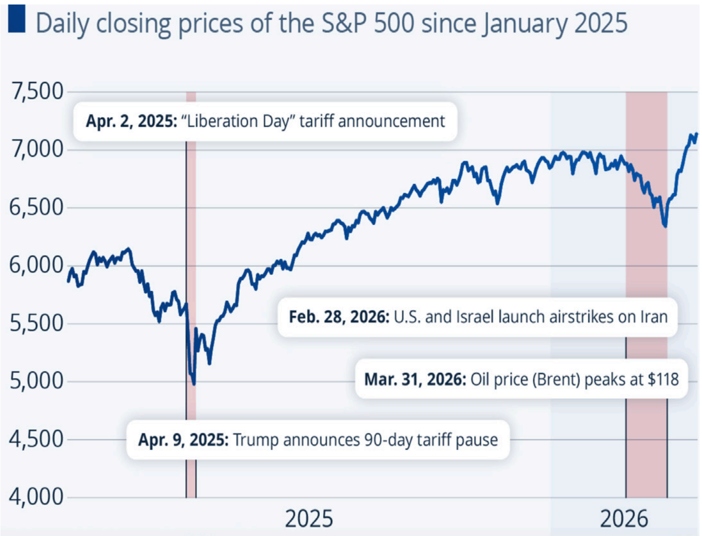
There are few reasons why the stock market seems to be completely unbothered about any of these developments. Mainly, it is because major indices are now heavily dominated by tech giants and asset-light multinationals. There is little representation of heavy industry, energy-intensive manufacturing and domestically focused firms in the index composition these days, which means the picture they paint is heavily skewed and not as reflective of the broader economy as they used to be. This is why geopolitical conflict, even the dramatic events following the outbreak of the US/Israel - Iran war, barely seem to register, but AI news can send stocks tumbling or surging. Another reason is that decades of aggressive monetary intervention by central banks have caused investors to anticipate artificial support anytime there is any sense of real risk, which created a clear moral hazard and hobbled the ability of markets to price risk accurately.

This poses a problem for long-term investors seeking to protect their wealth, in a period when uncertainty rises but outcomes remain unclear. It is far from surprising that capital has been steadily migrating toward real assets, especially those perceived as politically neutral and resilient. It is why demand for gold and silver has been rising over the last two years and why it is bound to continue.

Geopolitical risks abound

The defining geopolitical feature of the current cycle, or what appears to be the "new normal", is not one single crisis, but the simultaneous accumulation of multiple flashpoints. The Russia-Ukraine war continues to grind on after more than 4 years, tensions in the Middle East remain elevated, with the Gaza conflict >>

Markets shrug off Iran war



Source: Statista

recently replaced by a much broader war. Following the strike on Tehran by Israel and the US and the killing of Supreme Leader Khameini, Iran has responded by targeting Tel Aviv, the UAE, Bahrain, Kuwait, Qatar, Saudi Arabia, Oman, Jordan, Iraq and Cyprus. The situation rapidly escalated and with it, global uncertainty, as hopes of a swift resolution evaporated after repeated failed negotiation attempts.

While the lives that have already been lost to this conflict remain the heaviest toll, there has been a lot of indirect damage inflicted around the world. The closure of the Strait of Hormuz, which has triggered an unprecedented energy shock that has impacted every economy on the face of the earth. Europe, already vulnerable even before the war, has seen thousands of gas stations running dry across the continent, tens of thousands of flights cancelled as carriers struggle with jet fuel shortages, while the EU is urging people to restrict travel and work from home. Asia is in an even worse position because of its heavy reliance on Middle East fuel. The use of oil and gas amounts to about 4% of GDP, almost double that of Europe, according to the IMF and there are broad and justified fears that if the conflict continues it could trigger not just price rises but also shortages in oil-related chemicals and eventually food.

In the US, people are also feeling "pain at the pump", but the Hormuz crisis has impacted more than just fuel prices. The Middle East is critical to the global fertilizer trade too, with 35% of urea, coming through the region and roughly 20% of the phosphate trade from Saudi Arabia. The US imports about 25% of its total fertilizer, which means that American farmers are now under severe pressure. Fertilizer prices had already been elevated since the Russia-Ukraine war broke out, but they have nearly doubled since the strait of Hormuz closed.

At the same time, the US-China strategic competition is also intensifying across trade, technology, and military domains. The current war on Iran is fanning the flames too, as almost all of Iran's oil exports (and over half of Venezuela's, the regime of which the US successfully changed recently by arresting former President Maduro) went to China. This comes on top of the US imposed tariffs and expanded export controls on semiconductors and advanced tech to restrict China's access to cutting-edge technology. At this point, it is all but impossible to predict when or how any of the ongoing conflicts will end, or whether we might see further escalations leading to an even broader conflict.

Real economic pressures

As mentioned above, the real economy is showing serious signs of strain and this is not likely to be reversed anytime soon. The boogeyman of AI still looms large and it is causing a lot of firms to rethink their need for human workers. In late February, Fintech company Block (formerly Square), announced layoffs of roughly 4,000 employees (about 40% of its workforce), citing efficiency gains from AI tools, while Amazon slashed about 16,000 corporate roles, in its second round of mass layoffs since last October and UPS is planning to eliminate up to 30,000 positions in 2026. Whether AI is currently advanced and reliable enough to replace humans on this scale remains to be seen, but the important thing is that companies are already using it as a reason behind the mass job cuts.

The AI transition is a shock that ordinary households are not ready to absorb, as so many of them are already struggling. Delinquency rates on loans ranging from mortgages to credit cards rose to 4.8% of all outstanding US household debt in the fourth quarter of 2025, the highest level in almost a decade. Total bankruptcy filings rose by 11% by the end of 2025, with non-business (individual) filings driving much of that increase. The most worrying part if that there is clear evidence of a widening "K-shaped" divergence that is leaving lower- and middle-income Americans behind. In a recent survey published by Marketwatch, nearly 47% of respondents said affordability has worsened somewhat or a lot over the past year, with consumers pointing to grocery prices, >>

insurance, prescription drug prices, rent, and saving to buy a home as their top challenges. The share of households with no money left after bills rose to 48 %. In a January survey by Primerica 49 % of middle-income families said their main financial goal is simply keeping up with costs rather than building wealth and 59 % expect the economy to worsen next year.

Over in Europe, the situation is equally, if not more, worrying. The European Banking Authority's December 2025 risk report shows pressures on fiscal conditions, with rising public borrowing and higher risk premiums on government bonds as markets react to geopolitical uncertainty and slow growth. Unemployment, slow wage growth and frustration with government policies in some parts of Europe are feeding social and political pressures, contributing to the widespread protests and strikes we've been seeing especially in sectors like agriculture and public services.

"Perceived" inflation, as ECB officials like to call the real cost-of-living experience of citizens, is also persistently higher than the core inflation metric that the central bank prefers to use (which excludes energy and food). Europeans are facing a clear housing crisis too: since 2010, average house sale prices in the EU have risen by 55.4% and rents by 26.7%, outpacing income growth for many groups. In the UK, unemployment rates have surpassed Italy in January, and youth unemployment specifically is surging, with the jobless rate among ages 16–24 at 16.1 % in late 2025, higher than during the pandemic peak.

This growing strain and the widening gap between the "haves" and the "have nots" is bound to have policy implications. Fiscal largesse and stimuli could soon return, as well as monetary policy support, and with them, another wave of inflation, which would in turn trigger yet another round of demand for real, inflation-proof assets.

Public debt, monetary policy and fiat flight

One of the most important medium-term supports for precious metals is the sheer scale of global sovereign debt. Public debt levels across the US, Europe, and Japan are now materially higher than during previous cycles. In the US, interest on the $39 trillion national debt has tripled since 2020, and it is already costing taxpayers more than defense and Medicaid, according to a February analysis by the Committee for a Responsible Federal Budget (CRFB). This puts central bankers in a catch-22 situation: keeping rates higher stresses fiscal sustainability and cutting rates risks reigniting inflation.

Gold, in particular, tends to benefit in environments where investors begin to question the long-term credibility of fiat purchasing power. The "debasement trade", as it has been dubbed by the financial press, has been one of the main drivers of the yellow metal's extraordinary performance, especially over the last year. There is also the slow, but persistent, de-dollarization trend to consider. Countries such as China, India, and Russia continue to seek ways to diversify away from the dollar and reduce exposure to US-centric financial systems.

Justified bullishness

Overall, there is little reason to believe that the above mentioned forces that are driving investors toward precious metals are about to reverse in the foreseeable future. The geopolitical landscape is becoming substantially more volatile, global trade is increasingly facing disruption threats, and energy markets remain exposed to sudden shocks. At the same time, the real economy is showing mounting signs of strain, with households struggling under rising debt burdens and businesses already transitioning to an uncertain AI-dominated future. To deal with the all these challenges, policymakers are likely to respond the same way they always do, with the same tools that helped create the current systemic vulnerabilities in the first place, i.e. more fiscal expansion and loose monetary policy.

It is also important to bear in mind that, over the last year, gold and silver once again proved loud and clear that they deserve their reputation as the safest of safe havens in uncertain times, as both metals delivered extraordinarily strong performances while many traditional hedges struggled to keep pace.

After the recent remarkable rally, a consolidation phase is to be expected and it is necessary to prepare for the next leg up, but it also offers an opportunity to investors to build or increase their positions before prices continue on their upward trajectory.

Big Picture Sentinel

Dirk Steinhoff: New leadership, new chapter for BFI Bullion

By BFI Bullion

At the start of the year, Dirk Steinhoff, the former Chief Investment Officer of our sister company, BFI Infinity, joined us at BFI Bullion as our new Chief Executive Officer. Dirk has served on the BFI Group's leadership team for more than 18 years and we are very excited to have his economic, geopolitical, and strategic expertise and his hands-on experience at the helm of our company.

In the following conversation, he shares his vision for BFI Bullion's next chapter and his plans to build upon our core values.

You spent nearly two decades as CIO of BFI Infinity, with a strong focus on asset management and portfolio construction. What prompted your transition to leading the Group's physical bullion business, and how does your "CIO lens" influence the way you manage a precious metals company today?

It's a transition that feels very natural to me, because I'm not really moving to a new company - I'm coming home. I have been part of the BFI Capital Group since 2007. Our precious metals activities were originally established within the asset management business and later spun off as a stand-alone company, initially named Global Gold. This means I was deeply involved in starting, running, and eventually separating the precious metals business. In many ways, I have known this company since it was a baby.

That said, much has changed since then; internally too but especially in the external environment. We now live in an entirely different world, and in today's landscape, physical precious metals are arguably more important than ever.

What triggered the move was that the timing felt right. At BFI Infinity, we had built an outstanding team of experienced and battle-tested professionals and implemented all the necessary tools and processes, allowing the operation to run smoothly without my daily involvement. Equally important was the recent launch of Primorum by BFI Bullion. I consider Primorum a truly unique proposition: the first and only offering of its kind in the global precious metals industry. I strongly believe in this new precious metals integrity standard and I am genuinely excited by its potential. It is an honor to lead the team that will establish it as the industry benchmark.

As for my "CIO lens," I believe it will be highly valuable in this new role. It allows me to view gold and precious metals not merely as commodities to be traded, but as a vital risk management tool within a broader portfolio context. Having actively managed precious metals allocations for nearly two decades, I am intimately familiar with all the arguments both for and against them. Additionally, my experience as CIO gives me a strong understanding of the interconnected operational aspects, such as IT systems, banking relationships, custody solutions, and reporting requirements. This perspective is now helping me significantly strengthen our services, with a clear focus on enhancing our B2B offering without giving up our existing business.

Having managed complex global portfolios at BFI Infinity, what is the most significant psychological or operational difference you see in how investors approach "paper" wealth versus the physical ownership of gold? >>

There is a notable psychological difference between the two approaches. When managing paper assets, investors are essentially relying on promises made by counterparties, be it banks, brokers, or other financial institutions, to fulfill their obligations. These solutions generally work well in normal market conditions and continue to play an important role for many clients. At BFI Infinity, we provide access to physical precious metals through exchange-traded securities backed by allocated gold and silver. These instruments offer convenient and efficient exposure within a diversified portfolio.

In contrast, direct physical bullion ownership, as offered by BFI Bullion, completely eliminates counterparty risk. Many clients tell us that the moment they hold a physical bar in their hands or see their metals securely stored in a segregated Swiss vault outside the banking system, a genuine sense of calm and ownership emerges. It provides a unique form of peace of mind that a bank statement simply cannot replicate.

This is not to say that precious metals exposure within the banking system no longer has its place - it certainly does. Both approaches serve different client needs and can comfortably coexist, depending on individual objectives and preferences.

Your academic background is in Civil Engineering and Business Administration. Does this "engineering mindset" influence the way you approach the operational side of the precious metals business?

My academic background fundamentally shapes how I view the gold industry. In engineering, an unstable foundation or compromised structural integrity places the entire edifice at risk, regardless of how impressive the façade may appear. I apply the same principle to our business, particularly across trading, custody, and logistics.

When we speak about our services, and especially about Primorum, we are ultimately speaking about structural integrity. Verified quality, embedded integrity, and assured liquidity of our clients' metals are therefore not features, but necessities. A single point of failure in the custody chain, such as commingled storage or opaque reporting, can undermine the integrity of the entire structure.

Another discipline I carried over from engineering is an uncompromising attention to detail. I have always believed it is far more effective to invest the necessary time upfront to build something correctly, refine it, test it thoroughly, and challenge its underlying assumptions, than to accelerate the process and address deficiencies later. This mindset has guided my work throughout my career at BFI and continues to directly inform how we design and operate our platform.

Can you tell us a bit more about the Primorum standard? What makes it so unique in your view?

Primorum came out of a very simple observation: there is a structural weakness in how physical bullion ownership has traditionally worked. For decades, the precious metals market has largely relied on trust (paper certificates, assurances about origin and custody), while investors rarely have real visibility into what actually happens behind the scenes. In a typical retail setup, gold often comes from the secondary market. Those bars may have changed hands many times, been stored under unclear conditions, and are usually accompanied by documentation that offers only limited certainty. There are plenty of documented cases where certificates turned out to be unreliable or forged, and as technology has advanced, those risks have only grown.

With Primorum, we wanted to turn that logic around. The idea was to replace trust with confidence, based on objective and verifiable evidence of provenance, authenticity, and quality. It starts with sourcing. Primorum bars are exclusively sourced directly from leading LBMA-certified Swiss refiners such as Argor-Heraeus and Valcambi. By excluding the secondary market entirely, we remove what I often call the "secondary market fog."

From the moment a bar is produced, it moves straight into high security Swiss vaults, without ever entering the wider stream of commerce. Each bar is fully allocated, individually identifiable, and supported by continuous documentation throughout the entire custody chain. For investors, this means two things. First, absolute clarity about what they own. And second, liquidity by design. Primorum products are embedded in a predefined buyback framework, which allows for reliable resale whenever needed, making liquidity an integral part of the ownership experience, not an afterthought. >>

As you mentioned before, this is a very different world we live in today, and indeed, we are seeing a significant shift toward a multi-polar global order with a lot of new risks and challenges. In your view, has gold's role transitioned from a "tactical hedge" to a "core anchor", especially for the individual investor?

What we're going through right now is something I'd describe as the Great Transition. The unipolar, dollar-centric world we've known for decades is slowly but clearly coming to an end. Power is shifting, the global order is becoming more fragmented, and unexpected developments - especially on the geopolitical side - are happening more frequently.

In this new multipolar landscape, gold is starting to regain its role as the ultimate monetary anchor. We can already see this very clearly in the behavior of central banks. They've been buying gold at record levels, and they've been doing so consistently for years. In practical terms, they're building a backup to the fiat money system. And while official statements still emphasize confidence in their currencies, their actions tell a different story.

For private investors, the takeaway isn't very different. If central banks feel the need for a backup, then individuals should too. Gold is no longer just a tactical hedge against inflation, war, or the latest crisis - something you trade in and out of depending on the headlines. It's increasingly moving back into its historical role as a core monetary asset.

In that sense, gold is a bit like Switzerland itself. In a world where geopolitics increasingly influence currencies, markets, and even entire asset classes, gold remains one of the few truly neutral assets. And that neutrality is exactly what makes it so valuable in the environment we're living in today.

Golden Nuggets

Lessons from Dubai

By BFI Bullion

The eruption of the Iran war introduced extreme uncertainty and disruption in multiple industries all over the world. However, the shock experienced by the Gulf countries that Iran targeted in retaliation to the attacks in its own territory by the US and Israel was significantly more severe.

The UAE, and Dubai in particular, once hailed as the playground of the rich and famous and as a haven of stability, safety and luxury for wealthy expats and entrepreneurs turned into a war zone overnight, with missiles falling from the sky and sirens warning citizens to take shelter multiple times a day.

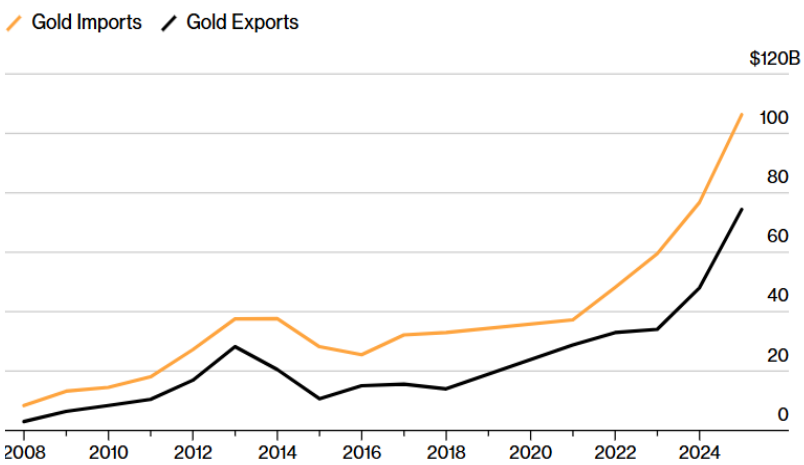
Flights were cancelled leaving many stranded in the small country. Countless residents trying to flee to safety found it extremely difficult to find a way out. Even if they managed to get themselves out, taking their life savings with them was another challenge of its own, especially if those savings were in physical gold.

In March, conflict-driven flight cancellations across the Middle East severely constrained air cargo, leaving physical bullion stuck in Dubai, one of the world's key gold trading hubs. As a result, gold in Dubai began trading at a $10–$30 per ounce discount to London prices, not because of any change in its intrinsic value, but purely due to logistical bottlenecks and an inability to move the metal from where the massive supply was, due to people trying to sell and flee the country, to where the demand was.

This episode highlighted a critical but often overlooked fact: gold is only as liquid as the infrastructure that supports it. The physical gold trade depends heavily on secure, functioning transport routes and when those routes are disrupted, markets fragment. Dubai, typically a conduit linking suppliers and refiners to global demand centers like Switzerland, Hong Kong, and India, quickly became isolated. With flights operating at a fraction of normal capacity and shipments constrained, local oversupply emerged while other markets remained relatively unaffected.

At BFI Bullion, we have repeatedly emphasized to our clients and readers that the decision to hold gold is as important as the decision of where and how you store it, because all of the protections that the metal affords are merely theoretical if you cannot access it or sell it when you need to. In other words, jurisdictional quality >>

The UAE's rise to a bullion hub in a decade



Source: Bloomberg

matters as much as asset quality. The Dubai example demonstrates that this is a very practical risk, that can emerge with little to no warning.

While it is impossible to guarantee that Switzerland will never go through any kind of harsh crisis scenario or that it will never face geopolitical challenges or outright conflict threats like the ones we are now seeing in the Middle East, we can safely say it is highly unlikely; or at least a lot more unlikely than anywhere else in the world.

The small alpine nation stands apart because it combines political neutrality, stable infrastructure, and its role as one of the world's primary gold refining and storage hubs. Even during global crises, Switzerland remains deeply integrated into the international bullion market, with established logistics, legal clarity, and proximity to major financial centers. In contrast to transit hubs like Dubai, where gold may depend on uninterrupted global flows, Swiss-stored gold is positioned at the core of the system, not its periphery.

Equally important is the choice of storage provider, which is why it is essential for investors to do their due diligence before selecting a partner. Reputable, time-tested companies with established market relationships can ensure that gold can be mobilized or sold at fair value even in dislocated conditions.

Golden Nuggets

China's JWR collapse: A cautionary tale

By Scott Schamber

In late January, JWR, a major gold trading platform based in the southern Chinese city of Shenzhen suddenly collapsed, affecting tens of thousands of retail investors. With losses exceeding 10 billion yuan, or $1.4 billion USD, JWR was unable to meet redemption requests, causing hundreds of investors to demonstrate outside the company's offices demanding their money back and prompting police intervention to maintain order.

The story went underreported by Western media, but it sent shock waves through Shenzhen's Shuibei gold hub, widely regarded as the heart of China's gold trading market. It also highlighted the growing risks facing retail investors who, knowingly or not, trust unlicensed and unregulated metals trading platforms, especially amid exploding demand for gold and silver during this prolonged surge in metals prices.

At the heart of JWR's demise was its business model. As opposed to regulated precious metals trading, conducted through licensed exchanges and dealers, JWR and similar platforms used "pre-pricing" (aka "price-locking") arrangements. Under this model, JWR's customers effectively prepaid deposits to agree on future gold or silver prices without executing trades on an exchange or holding physical metal, while the funds went directly to the platform itself, bypassing normal clearing and settlement safeguards. As a result, when metal prices took off and investors sought to cash out their profits, the wave of redemption requests that hit JWR simultaneously caused the company to crumble - just like an old fashioned bank run.

To make matters worse, JWR, being unburdened by the significant regulatory compliance requirements that licensed exchanges have to abide by, also offered low entry minimums and leveraged exposure and heavily advertised that on social media. This contributed in attracting inexperienced investors that likely didn't fully grasp the risks and consequences of leveraged trades, but also those that couldn't afford to lose the funds they thought they had invested in a safe haven.

Regulators and local authorities in Shenzhen responded swiftly by forming task forces to investigate abnormal business operations and they also introduced new rules banning irregular pre-pricing practices and leveraged or deferred transactions. They additionally tightened regulations on making false, misleading or sweeping claims and promises, such as "gold will surge".

There is a very important lesson to be learned from this incident for all gold and silver investors. The ongoing metals rally has created strong retail demand for precious metals exposure and all the bad actors in the industry are well aware of that. As we never tire of repeating to our clients and readers, doing your own due diligence before investing with any trading platform or metals dealer is of paramount importance.

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