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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

Gold correction: An early "Christmas gift" for investors

By Dirk Steinhoff

The current correction in the gold price is generating a familiar reaction across the financial and mainstream media. With spot gold pulling back from its earlier highs, the prevailing narrative focuses almost entirely on short-term cyclical drivers: a resilient US dollar, a new Federal Reserve Chair maintaining a cautious stance on interest rates, and on-again, off-again glimmers of diplomatic progress in the Middle East. These factors are being framed as a sign that the structural case for gold is losing momentum, and they are even fueling arguments that gold may have lost its shine.

However, looking past the immediate paper-market fluctuations reveals a different picture. For long-term investors focused on fundamental macroeconomic trends, this correction is a practical opportunity to build or expand physical positions at a more favorable entry point, one that we may not see again for a very long time.

The core drivers of the gold market are not rooted in knee-jerk reactions to headlines, but in the deep structural imbalances across Western economies. When evaluating the medium-to-long-term outlook, the arguments for holding an un-counterable, physical asset remain entirely intact. >>

Editorial

Dirk Steinhoff
CEO

The second quarter of 2026 has offered little relief on the geopolitical front. The Iran conflict has stretched well beyond the short timelines once hoped for, energy markets remain disrupted, and the Russia-Ukraine war continues to escalate. Against this backdrop, the gold price has pulled back from its earlier highs. Predictably, much of the financial commentary has framed the correction as evidence that the structural case for gold is fading.

As we'll explore in this issue of the Digger, this interpretation entirely misses the point. The underlying drivers have not reversed and the deep, structural threats that make precious metals a necessity in every portfolio are only getting worse. Sovereign debt in the US and across the OECD keeps reaching new highs, equity market concentration has reached unprecedented levels and the real economy still shows clear signs of strain. Central banks, for their part, have resumed their gold purchases. These are not the conditions of a market that has "lost its shine." On the contrary, this is a market that offers a rare window to establish or increase holdings at more favorable levels, an opportunity that history suggests may not remain open for long.

Owning gold, however, is only half the equation. Equally important is knowing exactly what you own, where it is stored, where it came from and whether its authenticity and integrity can be independently verified. In this day and age, transparency is no longer a "nice-to-have", it is becoming a necessity. That is why, in this issue, we also take a closer look at the Primorum® standard, BFI Bullion's response to the long-standing need for greater transparency and verifiable confidence in physical bullion ownership.

The illusion of broad market strength

The primary factor drawing capital away from defensive assets is the sustained performance of major equity indices. The S&P 500 and other benchmark indices continue to trade near historic highs, suggesting a robust and healthy broader economy. Yet, this stellar performance is heavily undermined by an unprecedented level of market concentration that hides a much less bullish picture behind it.

The vast majority of index gains over the past year have been driven by a remarkably narrow group of mega-cap technology companies tied directly to the development and buildout of AI infrastructure. The ten largest companies now account for nearly 40% of the S&P 500, well above the 27% it reached at the peak of the dot-com bubble in 2000. So, when we read headline after headline about stock markets reaching new record highs, what they really mean is that a small fraction of the market - and an even smaller one of the broader economy - is actually thriving. This is not the case for countless other listed companies that are not included in the indices (and therefore not included in the headlines), certainly not the case for many small- and medium-sized businesses, and even less so for the mom-and-pop shop round the corner.

This unprecedented concentration introduces severe systemic risk. Speculative enthusiasm around AI is already facing scrutiny and talk of an AI bubble is growing louder, as the massive capital expenditures required for data centers and hardware fail to generate immediate, proportional corporate revenues. Many companies that rushed to fire large parts of their human staff, thinking their jobs could easily be handled by machines, are already regretting their decision and scrambling to rehire them.

Back in May, Buy Now, Pay Later giant Klarna made a U-turn on its decision to fire hundreds of customer service workers with AI agents, after the move led to diminished >>

US market concentration at a record high

Source: UBS, FT

service quality, unhappy customers, and an inability to resolve complex cases. Commonwealth Bank of Australia and IBM did the same, while most recently, Ford Motor Company ended up rehiring hundreds of experienced human engineers that it previously let go.

However, the gathering clouds over the AI sector go beyond unmet expectations about productivity gains. First-half, 2026 operational invoices have also shattered the myth that automated infrastructure would be cheaper than a human workforce. A July analysis by Managed Code revealed that: "Heavy agentic setups can run tens of thousands to $300,000+ a year in compute, comparable to a mid-level developer, and public reports show large companies pulling back after token bills hit around $2,000 per engineer per month. The deeper problem is that most teams pay twice, once for the tokens and once for the humans who still babysit the agent's output."

Compounding this financial strain is a fundamental structural threat to corporate equity value: the systemic leak of intellectual property. In a highly publicized warning, Microsoft CEO Satya Nadella outlined what he termed the "Reverse Information Paradox," cautioning enterprises that using proprietary AI models forces them to hand over their most valuable asset. Since frontier models actively learn from operational "exhaust", i.e. the specific prompts the employees' type, the tools agents deploy, and the nuanced corrections human workers make, companies are inadvertently feeding their unique institutional secrets, knowledge and "edge" directly to the model providers. As Nadella put it: "You essentially pay for intelligence twice, once with money, and again with something even more valuable: the proprietary knowledge you must reveal to make that intelligence useful."

A sharp correction in the AI sector could trigger a broader market unwind, as the "magnificent few" have been carrying the indices. If this concentration risk materializes, we can expect the usual response playbook: central bank interventions, liquidity injections, and fiscal stimulus. These responses have historically been highly supportive for gold, as they erode confidence in paper assets.

Geopolitical Powder Keg

The global security environment remains highly uncertain. The Russia-Ukraine conflict not only continues but has been escalating in recent months. Ukraine's targeting of Russian energy infrastructure has knocked out approximately a third of Russia's oil refining capacity. This sustained campaign has caused widespread domestic fuel shortages, rationing across dozens of regions, and long queues at gas stations. This forced Russia to impose a temporary ban on diesel exports to boost domestic supplies and to import gasoline from India and jet fuel from Asia.

The Iran conflict, which has lasted much longer than the "4-5 weeks" timeline that President Trump initially set, has also wreaked havoc on energy markets and caused supply chain risks to surge. Even if the war ended tomorrow - which continues to look more unlikely than ever - it will take months for the energy market to return to normal.

Frankly, even if specific flashpoints de-escalate temporarily, the broader picture is one of fragmented alliances, great-power competition, and persistent instability. Central banks clearly recognize this, as they have resumed their gold buying binge. A World Gold Council survey published in mid-June found that central banks bought an average of 1,000 metric tons of gold annually over the past four years, double the previous decade's pace. 89% expect global reserves to rise over the next 12 months. Another WGC survey of 69 central banks showed that 90% of respondents cited gold's performance during periods of crisis as a primary reason for holding on to the precious metal. It is therefore clear that the outlook they are preparing for is far less optimistic than the confident picture painted government and institutional leaders. >>

Ticking time bomb

The sheer math behind Western sovereign debt presents a structural threat that goes far beyond cyclical budget debates. According to the Congressional Budget Office's (CBO) 2026 baseline projections, the US federal budget deficit will hit $1.9 trillion this fiscal year, pushing total debt held by the public to 101% of GDP. This trajectory is accelerating so rapidly that within the decade, US debt is projected to hit 120% of GDP, shattering the previous historical record of 109% set just after World War II.

This massive issuance is not unique to the US. According to the OECD Global Debt Report, "Outstanding sovereign bond debt in OECD countries reached an all-time high of USD 61 trillion in 2025, up from USD 55 trillion in 2024...Relative to GDP, sovereign bond debt remained stable at 83% between 2024 and 2025, but is projected to climb to 85% in 2026, the highest since 2021."

The immediate crisis triggered by this debt load is the explosion of servicing costs. The CBO notes that in 2026, net interest spending on US debt will reach $1 trillion for the year, making interest payments the third largest item in the federal budget, larger than all national defense spending. As older, low-yield debt matures and is systematically refinanced at today's higher interest rates, Western nations are entering a debt spiral. They are being forced to issue new debt simply to pay the interest on their existing obligations. When governments are trapped in this math, they ultimately have only one permanent exit strategy: leaning on central banks to monetize the debt, thereby permanently degrading the purchasing power of the underlying fiat currency.

In a recent interview, veteran investor Marc Faber summarized this reality clearly: "I hope gold falls another $500 to $1,000 an ounce. Then I would increase my position substantially." Faber's perspective underscores a basic mathematical reality: out-of-control government spending is no longer a temporary "emergency" response to a crisis, but it has instead become the permanent institutional normal. Governments have no viable political path toward fiscal austerity, so they must continue to spend and expand their balance sheets to sustain the current system, as said system gets increasingly fragile and expensive to maintain.

Implications for investors

Every structural bull market incorporates sharp, volatile corrections that challenge investor conviction. The current pullback in gold is a standard function of paper-market leverage unwinding in response to temporary macroeconomic headlines.

The underlying fundamentals, namely unsustainable sovereign debt, extreme equity market concentration, real-world economic displacement, and permanent geopolitical fracturing, have not changed. If anything, they continue to intensify. For disciplined investors, this correction provides an early Christmas gift: a clean opportunity to acquire a physical monetary anchor at a discount, offering essential protection well before the broader market recognizes the necessity of a hedge.

Big Picture Sentinel

Is "trust me" still good enough for precious metals?

By Scott Schamber

It is easy to forget that the physical precious metals acquisition and storage business that we are in at BFI Bullion is just that: "physical". When you work with physical metals, they take up storage space, they need to be moved around when bought or sold, and you need to be able to verify that what you say your clients have is what your clients actually have.

When you offer physically allocated bullion bars and coins, where the investor buys and owns specific physical gold holdings, you can't just say that is what you do and offer something else. Or can you? One of the biggest complaints we've heard from our clients in their dealings with other precious metals firms is the problem of "fractional ownership". You may own 200 ounces of gold thinking those ounces are physically backed. In reality, you own just "part" of many 1kg gold bars, or part of a massive 12.5kg, or 400-ounce, gold bar the company stores for you and other investors. Will the dealer shave off 200 ounces worth if you want to physically collect your gold?

That's not to say fractional ownership is bad or even wrong. But what is wrong is an investor not owning what they believe they own. The problem could be the company's marketing of their services or it could be an investor not reading the terms and conditions. Usually, it's a combination of both.

Ultimately, whether you offer actual, physically allocated metals with segregated storage in Switzerland like we do, or any other variation thereof, we all have to admit that the precious metals industry is one that has been based on trust, arguably even blind trust, for decades. Today, fraudulent or faked bars or coins aren't the only risks that exist for investors (and metals dealers). There is also a risk, like the example of fractional ownership, that you may not know what you own.

Which begs the question: is "trust me" still good enough for physical metals investors? This question sits at the heart of why BFI Bullion created our Primorum offering, a combination of physical bullion ownership with a technology-enabled transparency framework.

Beyond ownership: Why transparency matters in precious metals investing

When investors buy precious metals through a bank, wealth manager, or investment platform, they typically receive a statement showing that they own gold. But what they often times do not receive, or what they may even forget to inquire about when purchasing, is a detailed answer to three fundamental questions: What do I own exactly? Where is what I own being stored? How can I verify that information?

Many traditional precious metals investments provide only limited visibility into the underlying holdings. Investors may see a position value or a product description on a portfolio statement, but often have little to no insight into the specific bars, where those bars are being stored, if there are even bars to be stored at all, or how their authenticity can be verified.

A prime example of what we mean can be seen in this excerpt from a bank statement: >>

Bank statement excerpt

CCY	NOMINAL	DESCRIPTION	VALUE DATE MATURITY DATE	COST PRICE FX RATE	COST VALUE USD	MARKET PRICE FX RATE	MARKET VALUE USD ACCRUED INTEREST USD	PORTF. WEIGHT	UNREALIZED P/L CURRENCY P/L MARKET P/L
		Precious Metals							
USD	499.95	**GOLD BAR 500 GRAMS 999.9 USD** Start of year price: 110.379 YTD variation: 6.61% ISIN CH0002811260 - VALOR 281126 - SN 281126-002 Last acq. Jun 2025 - Holding Period 9.3 months		109.46	54,724.53	148.453386	74,219.27	1.15%	19,494.74 35.62%

Source: BFI Bullion

There is a lot of information here regarding this one, 500gr bar...or is there? For some metals investors, this might not matter, especially if their only concern is having access to a gold investment. But for an investor that specifically wants to own physically allocated gold bars, bars that require storage and bars they can get quickly if the need arises, its apparent that this type of information might not mean much at all.

A different approach to getting the information you need

Primorum is not a digital asset, token, or financial instrument, but instead, it is a product designed specifically to enhance the integrity and documentation of physical precious metals.

Developed as a premium bullion standard, Primorum was created to replace the “trust me” system with a system built on verifiable transparency, integrity, and traceability. The foundation of the framework is the aXedras Bullion Integrity Ledger (BIL), a digital ecosystem that records important information about bars throughout its lifecycle. Our investors and readers have been able to follow that growth over the past several years.

Primorum bars are sourced directly from leading Swiss LBMA-certified refiners and registered on the Bullion Integrity Ledger. BFI Bullion and our storage providers are connected through the same ecosystem, ensuring transparency at every stage. No one member can make changes singlehandedly without others needing to confirm

Knowing exactly what you own

For our purposes, and on this subject of trust, one of the most significant advantages of Primorum is product-level transparency.

Using our aforementioned example of the 500gr bar, in this following excerpt from BFI Bullion’s Client Portal, at a basic level, or a “Level 1”, investors can already view information such as metal type, product category, storage location, quantity, and overall position value. This isn’t much different than the bank statement, and it is the standard level our clients have known for many years. >>

BFI Bullion Client Portal, "Level 1"

Holdings in storage

22 Jul 2026 Show Download storage report (PDF)

Metal	Product	Storage Location	Storage Type	Quantity	Total Ounces	Total Grams	Total Value (USD)	
Gold								
Gold	500g Bar	Switzerland	SEG	1	16.0754	500.0000	65'588.41	▼
Gold	1kg Bar	Switzerland	SEG	1	32.1507	1'000.0000	131'176.81	▼
Gold	1ozt Bar	Switzerland	SEG	10	10.0000	311.0348	40'800.55	▼
				Gold Subtotal	58.2261	1'811.0348	237'565.77	
				Total Value	58.2261	1'811.0348	237'565.77	

Source: BFI Bullion

BFI Bullion Client Portal, "Level 2"

Holdings in storage

22 Jul 2026 Show Download storage report (PDF)

Metal	Product	Storage Location	Storage Type	Quantity	Total Ounces	Total Grams	Total Value (USD)
Gold							
Gold	500g Bar	Switzerland	SEG	1	16.0754	500.0000	65'588.41 ▲

Metal	Gross weight	Fineweight	Fineness	Format type	Bar number	Brand	Refiner	Location
Gold	500g	499.95g	999.9	Cast Bar	C90315	ARGOR-HERAEUS SA	Argor-Heraeus SA	Switzerland, Zürich

Source: BFI Bullion

However, now, thanks to the technology we are employing from aXerdas, by tapping on the 500gr Primorum bar, the client now gains the next level, or "Level 2", of visibility down to the individual bar level, including details like bar number, format, and brand. This detail allows investors to move beyond simply owning "gold" and instead helps to define the exact products that make up their holdings.

"Level 3" moves beyond the detail you will find anywhere else today. Our clients now gain access to an enhanced degree of documentation, traceability, and independent confirmation, including product, storage and history transparency, as well as data and product integrity verification.

Here, you can see the refiner details, where and when the bar was "born", where it was registered, product detail, storage location, and even the fact certain bars also contain advanced security features, in essence a high resolution photo taken of the bar which further ensures the authenticity. Consider the entire package a digital birth certificate combined with a biometric passport of your gold bar, all in one.

Independent verification and authenticity

Transparency is meaningful only if the information can be trusted. With Primorum and the technology behind it, we have been able to incorporate authenticity security features and verification capabilities designed to confirm that a specific bullion bar is in fact that bar recorded within the system. The framework further highlights that product data, storage information, and ownership-related information are verified through the Bullion Integrity Ledger. >>

BFI Bullion Client Portal, "Level 3"

Holdings in storage

22 Jul 2026 Show Download storage report (PDF)

Metal	Product	Storage Location	Storage Type	Quantity	Total Ounces	Total Grams	Total Value (USD)
Gold							
Gold	500g Bar	Switzerland	SEG	1	16.0754	500.0000	65'588.41 ▲

Metal	Gross weight	Fineweight	Fineness	Format type	Bar number	Brand	Refiner	Location
Gold	500g	499.95g	999.9	Cast Bar	C90315	ARGOR-HERAEUS SA	Argor-Heraeus SA	Switzerland, Zürich

Bullion Integrity Ledger™ details

Registration date	27 Jan 2026
Registration by refiner	Yes
Integrity Certificate ID	EYGA43RT7AD0TM1JA4D3VUSBC
Custodian	Loomis International
Location	Switzerland, Zürich

Product details

Metal	Au
Format type	Cast Bar
Format weight	500.00g
Fineness	999.9
Brand	ARGOR-HERAEUS SA
Bar number	C90315
Fabrication date	20 Jan 2026

Refiner details

Refiner	Argor-Heraeus SA
Fabrication date	20 Jan 2026
Country of production	Switzerland
Security feature	Alitheon

Source: BFI Bullion

Transparent ownership is not only about assurance, but it also makes it easier to transact when circumstances change. The Swiss refiner will always be able to identify this bar as one of their own and will prioritize taking their bars back whatever market conditions could look like at a given time.

A New Standard for Precious Metals Ownership

For decades, the precious metals industry has operated largely on paper records, institutional trust, and fragmented documentation. BFI Bullion launched Primorum in response to growing investor expectations for greater transparency, growing concerns surrounding counterfeiting, and a market increasingly demanding proof rather than assumption.

When it comes to answering the question if "Trust Me" is still good enough in today's world of precious metals, it certainly will always play a role. But in this area of physical precious metals, where everything is indeed still physical, we should no longer take for granted being able to reinforce integrity, authenticity, and quality in getting us to the common goal: peace of mind.

Golden Nuggets

Private credit market flashing warning signs

By Dirk Steinhoff

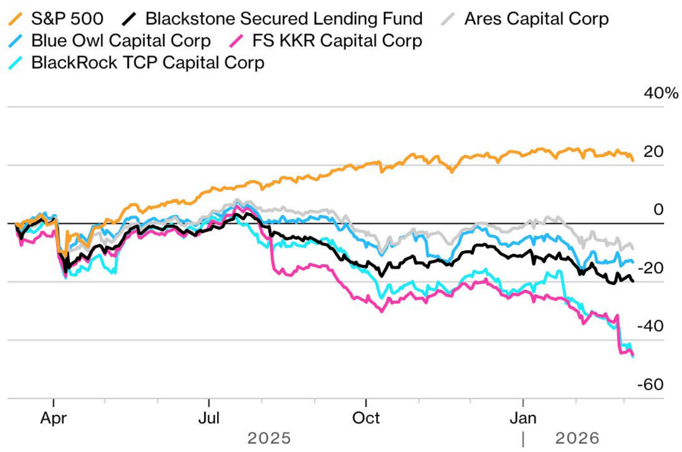
Private credit has surged into one of the largest corners of global finance, filling the gap left by traditional banks after the 2008 crisis. Now totaling nearly $2 trillion, the sector is drawing intense scrutiny as economic pressures mount.

Private credit refers to loans provided by non-bank lenders, such as asset managers or specialized funds, to companies that cannot access financing from banks, or that are just seeking more flexible or "customized" solutions that the public market doesn't offer. The sector has taken off since the 2008 crisis after tighter banking regulations pushed traditional lenders away from riskier debt and created opportunities for alternative capital providers to cover the continued demand for borrowing. These arrangements are also attractive to borrowers because they don't have to jump through traditional regulatory hoops, meaning they can access credit much faster (within days instead of weeks or months) and there are significantly lighter disclosure and capital requirements. This, combined with persistently low interest rates for much of the past decade and strong investor demand for higher yields, fueled the explosive growth of private credit, making it the $2 trillion market it is today.

However, cracks have started to appear in recent months as economic conditions have tightened. The Financial Stability Board (FSB), a G20 watchdog, recently issued a stark warning in its May 2026 report, highlighting risks stemming from the industry's opaque valuation practices, complex funding structures, and interconnectedness with banks, insurers, and asset managers. The report also highlighted that the sector's high leverage, which is concentrated in technology, healthcare, and services, is largely untested by prolonged economic weakness.

The investor base has also shifted markedly in recent years. Private credit in the past focused mainly on medium-sized companies and the investor base was mainly institutional investors. Today, the sector has growing retail participation through semi-liquid, publicly traded vehicles like business development companies (BDCs) that offer higher returns relative to the rest of the bond market. Several retail-focused BDCs have experienced surges in redemption requests in recent quarters and were forced to restrict withdrawals, attracting a lot of financial press and regulatory attention. >>

Publicly traded BDCs plunge



Source: Bloomberg

By now, it has also become clear that the prospect of higher-for-longer interest rates is a big problem for private credit. Renewed inflation pressures, partly fueled by the Middle East conflict, have dimmed hopes for swift rate cuts. Most private credit loans are floating-rate, so borrowers continue facing near-peak interest costs. As Anant Kumar of Benefit Street Partners told CNBC: "Nobody underwrote for that. Three years later, borrowers are still paying near-peak coupons...the market is now pricing hikes, not cuts."

Industry experts emphasize dispersion within the sector. Stronger credits with solid cash flows and pricing power continue to perform, while weaker borrowers - especially those with thin margins, high leverage, or limited pricing power in rate-sensitive sectors like real estate and consumer goods - face refinancing risks and potential restructurings. Software portfolios have also been particularly vulnerable as talk of an AI bubble gets louder.

For now, this is all being viewed as a stress test rather than a systemic crisis, especially as the very flexibility that made private credit so attractive in the first place is likely to provide some relief and buy borrowers some time in this tighter environment. Lenders can work directly with borrowers to implement tailored solutions such as maturity extensions, or Payment-In-Kind toggles (where instead of paying cash, unpaid interest is added to the principal balance of the loan). These measures can help viable companies navigate temporary challenges without forced sales or bankruptcies.

However, a large and sustained uptick in arrangements like these can often signal liquidity stress and rising default risk. This is why investors should continue to monitor developments in this space closely, as prolonged stress in private credit could transmit shocks to interconnected banks and the wider financial system.

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