

USD per ounce of gold



USD per ounce of silver



EURUSD



Source: Thomson Financial.

Precious metals prices

	Actual (spot)	Change against (in percent):		
		2 W	3 M	12 M
I. In US-dollar				
Gold	1.320.0	0.3	3.6	5.7
Silver	16.5	1.1	0.6	-9.3
Platinum	963.7	-0.1	2.4	2.0
Palladium	990.0	1.4	-1.6	24.5
II. In euro				
Gold	1.076.2	0.1	0.5	-8.2
Silver	13.5	0.8	-2.1	-21.0
Platinum	785.8	-0.3	-0.3	-11.5
Palladium	807.0	1.1	-4.6	8.0
III. Gold price in other currencies				
JPY	140.193.0	-2.1	-2.2	0.8
CNY	8.390.3	1.2	-0.4	-2.4
GBP	958.0	0.7	1.7	-3.7
INR	86.087.8	1.9	4.8	6.3
RUB	75.040.4	-2.3	0.7	6.9

Source: Thomson Financial; own calculations.

OUR TOP ISSUE

This is a short summary of our fortnightly **Degussa Marktreport**.

Gold in Times of Boom and Bust

The US central bank (Fed) is about to raise its interest rates further. The outlook for even higher yields has become quite a concern for investors. Because if and when interest rates keep edging up, the ongoing boom can be expected to come to a shrieking halt, running the severe risk of turning into a bust. This is neither an unwarranted nor exaggerated worry – as we no doubt live in times of boom and bust. This is why:

Central banks, in close cooperation with commercial banks, issue new money through credit expansion, which artificially lowers market interest rates to below their "natural level". The newly injected money brings about an economic upswing ("boom"). It makes investment and consumption, propelled by easy credit, go up. Financial asset prices increase, giving people the illusion of great prosperity.

Furthermore, the relentless increase in the quantity of money brings up prices and thus erodes the purchasing power of money. Sometimes the inflationary impact manifests in rising consumer goods prices, sometimes in asset prices such as stock, bond, housing, and real estate prices. In other words: Today's monetary system (you may call it *unbacked paper* or *fiat money system*) is chronically inflationary.

But sooner or later the inflationary boom brought about and held up by monetary distortions on a grand scale, will collapse and turn into bust. However, unfortunately for most investors (including myself), there is no sure way to know when the crisis is going to happen. We do not have a rule or mathematical formula according to which the duration of the boom can be estimated or the timing of the subsequent bust computed.

A key question for the investor is, therefore, how to deal with the boom-and-bust-cycle. If the timing of the boom turning into bust is unpredictable, it makes little sense for the investor to devote attention to market timing strategies. For instance, if you invest in stocks of great companies, and succeed in buying them at a decent price, there are plenty of good reasons to hold on to these stocks even through a phase of bust.

A great company will weather the storm. Its stock price may take a hit, but its earning power will not suffer permanently. And it is the latter that matters for the long-term oriented investor: A firm's return on equity capital is what determines its stock price in the long-run (over five or more years). That said, if you are invested in great companies, you do not have to bother with trying to forecast the timing of the boom turning bust.

The even more pressing question is, however: Will the approaching bust be short-lived and temporary, or is it going to deal a heavy blow to the economic and financial system? Again, most of us will probably find it pretty hard to come up with a reliable answer. However, sound economics may provide some helpful considerations, allowing the investor to deal with these questions in a sensible way.

The longer the fiat money fueled boom goes on, the higher the economies' debt level relative to GDP becomes. The more stretched valuation levels in stock and housing markets become, the higher the probability that something will go wrong and that the boom will turn into bust – a kind of bust that may well become life-threatening to the current economic and financial structure.

Of course, significant productivity gains may well improve the economies' debt sustainability and thereby prolong an ongoing boom, postponing the bust. Without them, however, the probability that the boom will sooner rather than later come to an end increases. In other words, in the current phase of the business cycle, with central banks trying to escape their ultra-expansionary policies, the probability of something going wrong is increasing.

It is here where gold comes into play. From the investor's viewpoint, gold can be considered a sound currency, as the "ultimate means of payment". As the table below shows, gold has unquestionably proven to be a sound currency in the long-run, having "outperformed" the US dollar (and other fiat currencies). Looking ahead, however, gold has another property which appears to be highly attractive from a savvy investor's point of view.

Returns in percent⁽¹⁾

US stocks, market prices	US stock, performance	Gold (USD/oz)	3-mths money (USD)	Consumer prices (USD)
I. February 1973 to July 2017:				
9.06	10.64	6.76	4.84	3.97
II. January 1980 to July 2017:				
10.87	12.19	2.41	4.42	3.09
III. January 1995 to July 2017:				
9.52	10.30	5.45	2.34	2.19
IV. January 2000 to July 2017:				
3.95	5.47	8.65	1.59	2.15
V. June 2007 to July 2017:				
4.79	7.62	6.46	0.51	1.64

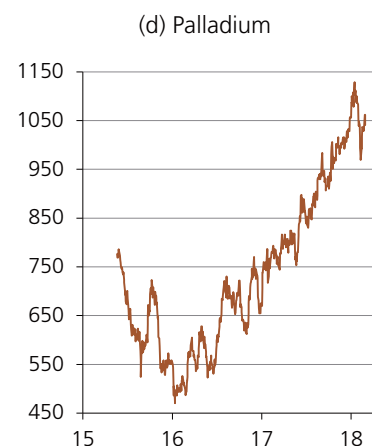
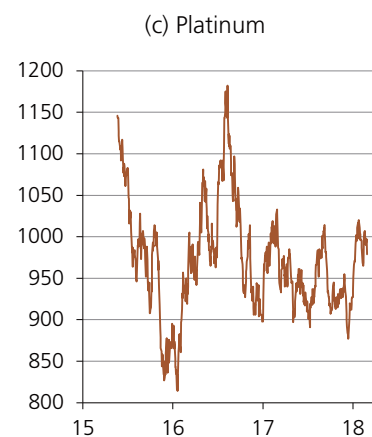
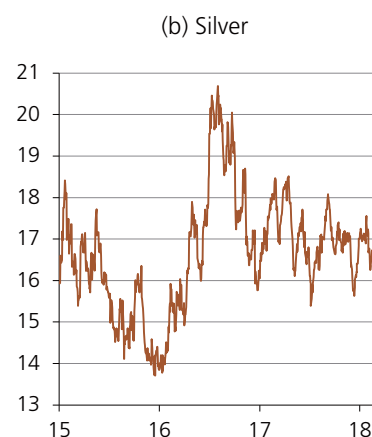
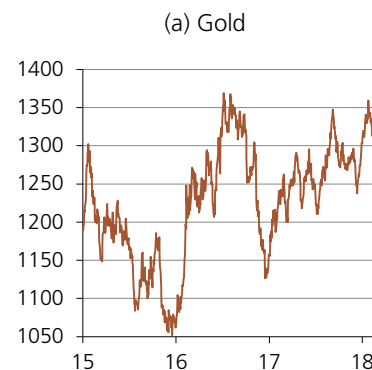
Source: Thomson Financial; own calculations.

⁽¹⁾Continuously compounded rate, annualized.

Gold serves as an insurance against the vagaries of fiat money. Its purchasing power cannot be eroded by central bank policies. The yellow metal also protects against payment defaults (which bank deposits and short-term government bonds do not offer). And if the investor succeeds in purchasing it at a decent price, gold can even be viewed as insurance with an upward price potential in times of severe market stress.

That said, our argument has come full circle. If the boom continues, gold as part of the investor's liquid assets may well perform less favourable than stocks of great companies, for example. However, the investor should be aware of the fact that

Precious metal prices (USD/oz)



Source: Thomson Financial.

gold does not compete directly with stocks but with unbacked currencies such as, for instance, the US dollar, euro, Japanese yen, and Swiss franc.

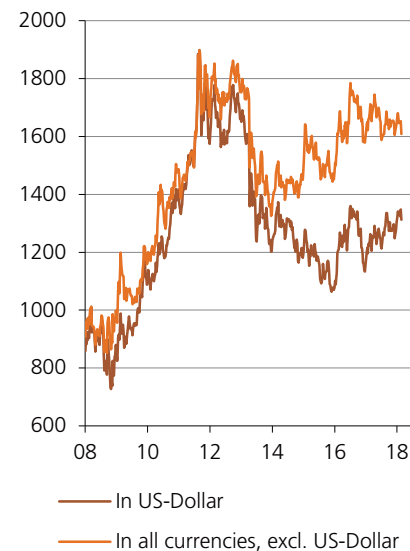
Under current monetary policies, which are unlikely to bring inflation-adjusted (real) interest rates back into positive territory, gold appears to be in a favourable position to outperform unbacked paper currencies in terms of keeping and even increasing its purchasing power over the medium- to long-term. Especially so as gold does not seem to be expensive at the current price.

In case of emergency, when the boom turns into bust, gold protects the investor against currency debasement and payment defaults. It also entails the chance of an increase in price in times of financial market stress, which would allow the investor to exchange highly priced gold against attractive assets (such as stocks of great companies) that trade at suppressed prices, thereby helping to enhance the investor's portfolio return.

Gold price per ounce

*in US dollars and all world currencies (excl. the US dollar)**

January 2008 to March 2018



Source: Bloomberg; own calculations.

*Calculated from the gold price (USD/oz) and the nominal trade weighted exchange rate of the US dollar. The timeline was indexed at 5 September 2011 with a value of 1.900.

Gold In Art



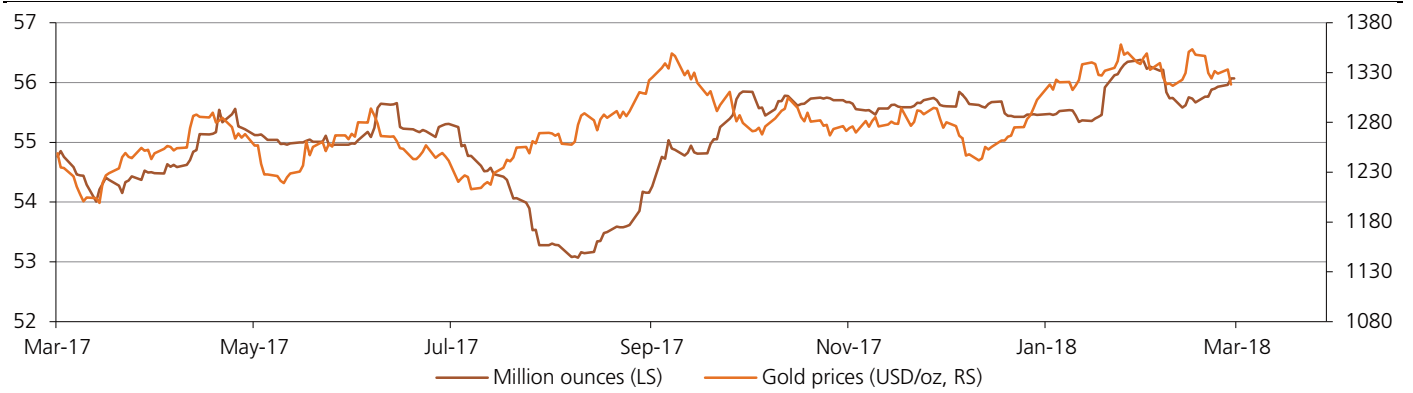
Duccio di Buoninsegna, Maesta Altarpiece, 1308-1311

From the late Middle Ages, the use of gold in Western art proliferated in Christian altarpieces and iconic paintings. Duccio di Buoninsegna (1255 – 1319) painted in the Byzantine Style. However, his famous Maesta Altarpiece of 1308-1311, which depicts the Virgin Mary holding the infant Christ before a brilliant gold-leaf background, contains various innovations. For instance, in his decorative scheme Duccio introduced a bold use of colour. Most notably, he employed gold (and other rich, subtle colours) as an aesthetic feature in its own right. The Maesta was dismantled in the late 18th century. The main front panel is in the Museo dell'Opera del Duomo in Siena, Italy.

Dr Ruth Polleit Riechert, Art Historian (www.rpr-art.com).

Precious metals prices and ETF holdings

Gold ETFs (million ounces) and gold price (USD/oz)



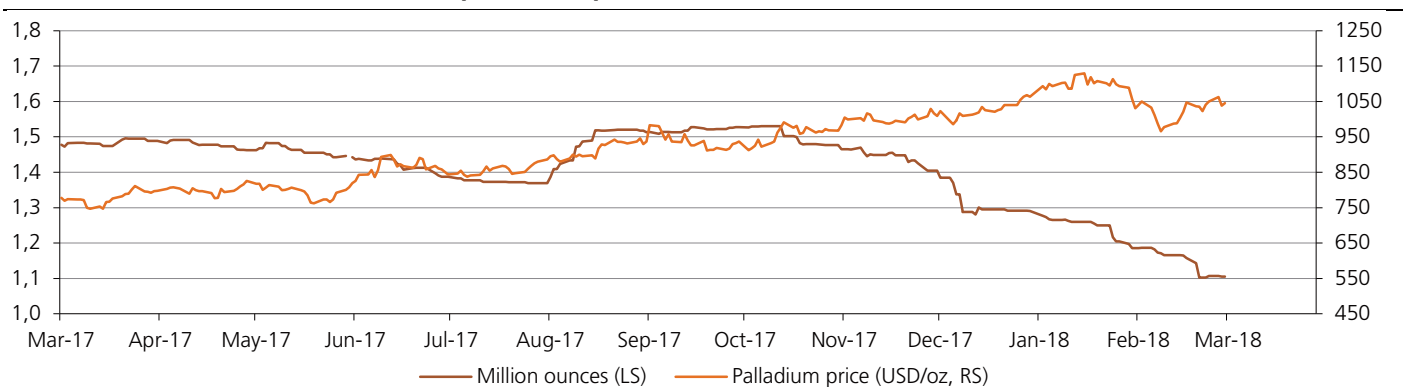
Silver ETFs (million ounces) and silver price (USD/oz)



Platinum ETFs (million ounces) and platinum price (USD/oz)



Palladium ETFs (million ounces) and palladium price (USD/oz)



Source: Thomson Financial.

Precious metals prices

In US-dollar

	Gold		Silver		Platinum		Palladium	
I. Actual		1311.1		16.3		970.5		1017.9
II. Gliding averages								
5 days		1325.6		16.5		990.0		1047.8
10 days		1335.0		16.6		995.9		1038.9
20 days		1332.0		16.6		988.3		1022.5
50 days		1324.5		16.8		978.2		1057.4
100 days		1299.9		16.8		950.2		1026.9
200 days		1287.1		16.8		947.6		958.6
III. Bandwidths for 2018	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>
	1248	1472	16.0	21.0	936	1048	1033	1261
(1)	-5	12	-2	29	-4	8	1	24
IV. Annual averages								
2014		1260		19.1		1382		800
2015		1163		15.7		1065		706
2016		1242		17.0		985		617
2017		1253		17.1		947		857

In Euro

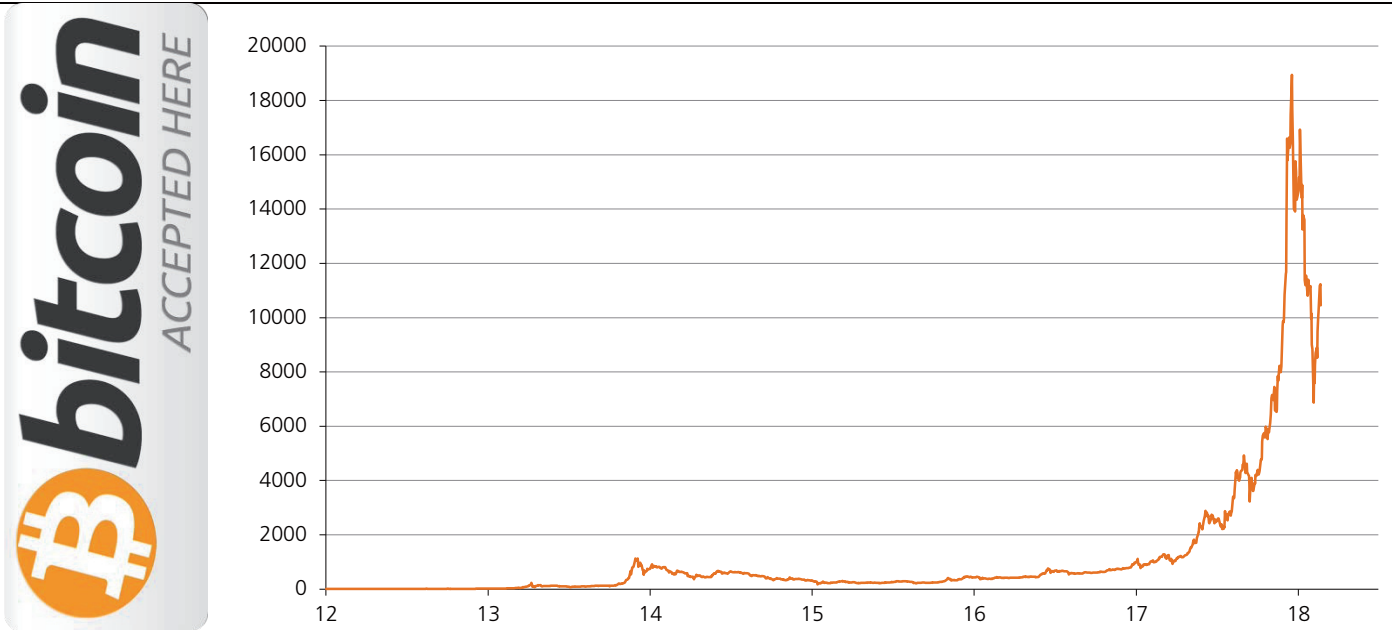
	Gold		Silver		Platinum		Palladium	
I. Actual		1075.9		13.4		796.4		835.3
II. Gliding averages								
5 days		1080.5		13.5		807.0		854.1
10 days		1082.5		13.4		807.5		842.5
20 days		1079.3		13.4		800.7		828.5
50 days		1084.5		13.8		800.8		866.1
100 days		1084.5		14.0		792.5		856.7
200 days		1091.1		14.3		803.3		811.6
III. Bandwidths for 2018	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>
	1069.2	1260.5	13.7	18.0	801.7	897.9	884.5	1080.0
(1)	-1	17	2	34	1	13	6	29
IV. Annual averages								
2014		945		14		1035		601
2015		1044		14		955		633
2016		1120		15		888		557
2017		1116		15		844		760

Source: Thomson Financial; own calculations and estimates.

(1) Estimated return against actual price in percent.

Bitcoin, performance of various asset classes

Bitcoin in US dollars

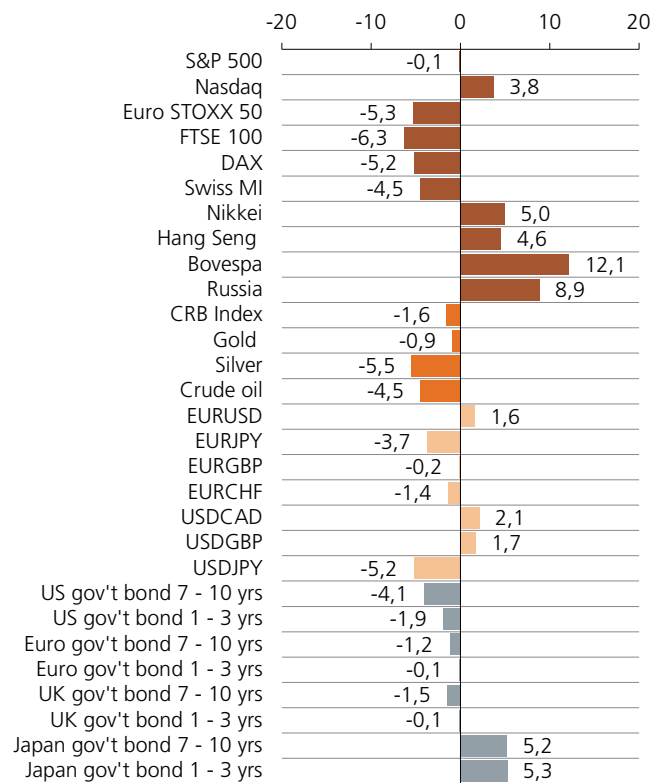
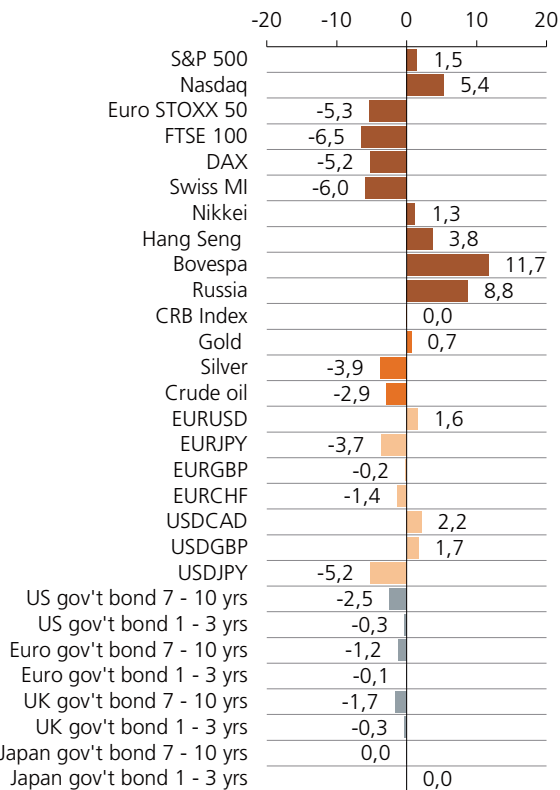


Source: Thomson Financial.

Performance of stocks, commodities, FX and bonds

(a) In national currencies

(b) In euro



Source: Thomson Financial; own calculations

Articles in earlier issues of the *Degussa Market Report*

Issue	Content
2 March 2018	Gold in Times of Boom and Bust
16 February 2018	The Fed Makes The Stock Market A Risky Place
2 February 2018	Central Banks Put a Safety Net Under Financial Markets
19 January 2018	Chances And Risks For Investors in 2018
21 December 2017	New Competition: Gold and Crypto Currencies Against Fiat-Monies
8 December 2017	It Is Just Another Inflationary Boom
24 November 2017	There Is, And Will Be More, Inflation
10 November 2017	Calm Markets: The Great Mystery
27 October 2017	The Interest Rate Becomes A "Crash Factor"
13 October 2017	The Great Complacency
29 September 2017	The German Election Outcome Might Turn Up The Heat On The Euro
15 September 2017	A Case for Gold in the Investment Portfolio
1 September 2017	On the Intrinsic Price of Gold
18 August 2017	Gold in Times of Boom and Bust
4 August 2017	The Underpriced Risk
21 July 2017	The Fed Remains on Course – to Trouble
7 July 2017	Gold And The Blockchain
23 June 2017	The Super-Bubble in Danger
9 June 2017	Trapped in Boom-and-Bust
26 May 2017	The Make-Believe World of Fiat Money
12 May 2017	The Fed Will Likely Chicken Out on Planned Rate Hikes
28 April 2017	Central Banks Will not Dare to Take Away the Punch Bowl
13 April 2017	The Gold Price Rise Tells Us: The Crisis Isn't Over Yet
31 March 2017	ECB Negative Interest Rate Policy Will Come to an End
17 March 2017	The Fed's Half-Hearted Attempt of Monetary Tightening
3 March 2017	ECB Flirts With Higher Inflation. The Case For Gold
17 February 2017	Gold Gains Ground vis-a-vis the US-Dollar
3 February 2017	Gold Insures Against Risks Lurking in the Financial System
20 January 2017	The Year of Change
20 December 2016	Gold Rather Than Euro
25 November 2016	Mr Trump Loves Gold. Does Gold Love Him Back?
11 November 2016	Trump Election Puts Euro Under Pressure
28. October 2016	US Presidential Elections and the Price of Gold
14 October 2016	Amid Uncertainty, Opportunity Knocks
30 September 2016	On the Debt Ratio and the Price of Gold
16 September 2016	Central Banks May Choose Helicopter Money Over Negative Rates
2 September 2016	No return to "normal" interest rates
19 August 2016	Debt Monetized En Masse to Fend Off the Euro Crash?
5 August 2016	<i>No English issue due to summer break</i>

The Degussa Marktreport (German) and the Degussa Market Report (English) are available at:
www.degussa-goldhandel.de/infothek/marktreport/

Disclaimer

Degussa Goldhandel GmbH, Frankfurt am Main, is responsible for creating this document. The authors of this document certify that the views expressed in it accurately reflect their personal views and that their compensation was not, is not, nor will be directly or indirectly related to the recommendations or views contained in this document. The analyst(s) named in this document are not registered / qualified as research analysts with FINRA and are therefore not subject to NASD Rule 2711.

This document serves for information purposes only and does not take into account the recipient's particular circumstances. Its contents are not intended to be and should not be construed as an offer or solicitation to acquire or dispose of precious metals or securities mentioned in this document and shall not serve as the basis or a part of any contract.

The information contained in this document was obtained from sources that Degussa Goldhandel GmbH holds to be reliable and accurate. Degussa Goldhandel GmbH makes no guarantee or warranty with regard to correctness, accuracy, completeness or fitness for a particular purpose.

All opinions and views reflect the current view of the author or authors on the date of publication and are subject to change without notice. The opinions expressed herein do not necessarily reflect the opinions of Degussa Goldhandel GmbH. Degussa Goldhandel GmbH is under no obligation to update, modify or amend this document or to otherwise notify its recipients in the event that any circumstance mentioned or statement, estimate or forecast set forth in this document changes or is subsequently rendered inaccurate.

The past performance of financial instruments is not indicative of future results. No assurance can be given that any views described herein would yield favorable returns on investments. There is the possibility that said forecasts in this document may not come to pass owing to various risk factors. These include, without limitation, market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information and/or the circumstance that underlying assumptions made by Degussa Goldhandel GmbH or by other sources relied upon in the document should prove inaccurate.

Neither Degussa Goldhandel GmbH nor any of its directors, officers or employees shall be liable for any damages arising out of or in any way connected with the use of this document and its content.

Any inclusion of hyperlinks to the websites of organizations in this document in no way implies that Degussa Goldhandel GmbH endorses, recommends or approves of any material on or accessible from the linked page. Degussa Goldhandel GmbH assumes no responsibility for the content of and information accessible from these websites, nor for any consequences arising from the use of such content or information.

This document is intended only for use by the recipient. It may not be modified, reproduced, distributed, published or passed on to any other person, in whole or in part, without the prior, written consent of Degussa Goldhandel GmbH. The manner in which this document is distributed may be further restricted by law in certain countries, including the USA. It is incumbent upon every person who comes to possess this document to inform themselves about and observe such restrictions. By accepting this document, the recipient agrees to the foregoing provisions.

Imprint

Marktreport is published every 14 days on Fridays and is a free service provided by Degussa Goldhandel GmbH.

Deadline for this edition: 2 March 2018

Publisher: Degussa Goldhandel GmbH, Kettenhofweg 29, 60325 Frankfurt, Tel.: (069) 860068-0, Fax: (069) 860068-222

E-Mail: info@degussa-goldhandel.de, Internet: www.degussa-goldhandel.de

Editor in chief: Dr. Thorsten Polleit

Degussa Market Report is available on the Internet at: <http://www.degussa-goldhandel.de/infotehke/marktreport/>



Frankfurt Headquarters

Kettenhofweg 29 · 60325 Frankfurt
Phone: 069-860 068 – 0 · info@degussa-goldhandel.de

Retail buying and selling outlets in Germany:

Augsburg (shop & showroom): Maximiliansstraße 53 · 86150 Augsburg
Phone: 0821-508667 – 0 · augsburg@degussa-goldhandel.de

Berlin (shop & showroom): Fasanenstraße 70 · 10719 Berlin
Phone: 030-8872838 – 0 · berlin@degussa-goldhandel.de

Frankfurt (shop & showroom): Kettenhofweg 29 · 60325 Frankfurt
Phone: 069-860 068 – 100 · frankfurt@degussa-goldhandel.de

Hamburg (shop & showroom): Ballindamm 5 · 20095 Hamburg
Phone: 040-329 0872 – 0 · hamburg@degussa-goldhandel.de

Hanover (shop & showroom): Theaterstraße 7 · 30159 Hanover
Phone: 0511-897338 – 0 · hannover@degussa-goldhandel.de

Cologne (shop & showroom): Gereonstraße 18-32 · 50670 Cologne
Phone: 0221-120 620 – 0 · koeln@degussa-goldhandel.de

Munich (shop & showroom): Promenadeplatz 12 · 80333 Munich
Phone: 089-13 92613 – 18 · muenchen@degussa-goldhandel.de

Munich (Old Gold Centre): Promenadeplatz 10 · 80333 Munich
Phone: 089-1392613 – 10 · muenchen-altgold@degussa-goldhandel.de

Nuremberg (shop & showroom): Prinzregentenauer 7 · 90489 Nuremberg
Phone: 0911-669 488 – 0 · nuernberg@degussa-goldhandel.de

Pforzheim (refinery): Freiburger Straße 12 · 75179 Pforzheim
Phone: 07231-58795 – 0 · pforzheim@degussa-goldhandel.de

Stuttgart (shop & showroom): Kronprinzstraße 6 · 70173 Stuttgart
Phone: 0711-305893 – 6 · stuttgart@degussa-goldhandel.de

Retail buying and selling outlets around the world:

Zurich (shop & showroom): Bleicherweg 41 · 8002 Zurich
Phone: 0041-44-40341 10 · zuerich@degussa-goldhandel.ch

Geneva (shop & showroom): Quai du Mont-Blanc 5 · 1201 Genève
Phone: 0041-22 908 14 00 · geneve@degussa-goldhandel.ch

Madrid (shop & showroom): Calle de Velázquez 2 · 28001 Madrid
Phone: 0034-911 982 900 · info@degussa-mp.es

London Sharps Pixley Ltd. (member of the Degussa Group)
Phone: 0044-207 871 0532 · info@sharpspixley.com