

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	1.261.3	-0.4	-1.5	3.6
Silver	16.1	0.1	-5.3	-6.4
Platinum	913.5	-0.3	-0.7	-6.6
Palladium	1.022.5	4.1	4.9	31.7
II. In euro				
Gold	1.064.9	-0.5	-2.0	-5.8
Silver	13.6	-0.1	-5.7	-14.7
Platinum	771.2	-0.4	-1.5	-15.2
Palladium	863.0	3.7	4.4	19.7
III. Gold price in other currencies				
JPY	142.351.0	-0.1	-2.0	3.7
CNY	8.329.1	-0.5	-1.7	-0.2
GBP	942.1	0.1	-2.9	-3.0
INR	80.786.9	-0.8	-3.0	-2.5
RUB	74.092.8	-0.3	0.7	2.3

Source: Thomson Reuters; own calculations.

OUR TOP ISSUES

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

Dear reader,

We wish you a Merry Christmas and a Happy New Year!

The next Degussa Market Report will be published on 18th January 2018.

New Competition: Gold and Crypto Currencies Against Fiat-Monies

For millennia, gold has proven its merits as money; it is the ultimate means of payment. The former chairman of the Federal Reserve (Fed), Alan Greenspan, put it succinctly in 2014: "Gold is currency; no fiat currency, including the dollar, can match it." Over the last decades, however, gold has been replaced by the state's unredeemable fiat money.

Against this backdrop, Austrian economist Ludwig von Mises (1881 – 1973) had something interesting to say. He noted: "The gold standard makes the determination of money's purchasing power independent of the changing ambitions and doctrines of political parties and pressure groups. This is not a defect of the gold standard; it is its main excellence."

So why was gold replaced by fiat currencies then? Well, the state prefers money whose value can be altered at will – say, to influence overall demand and redistribute income and wealth among people. Gold money stands in the way of such machinations. Fiat money doesn't. On the contrary, fiat money can simply be printed, can be easily created out of thin air and without limit.

Fiat money has severe economic and ethical drawbacks, though. It is chronically inflationary, contributes to widening the income gap between the poor and the rich, triggers boom-and-bust cycles, and compounds the economy's debt burden. Most important, a fiat money regime allows the state to expand actually without limit, over time potentially transforming even a minimum state into a maximum state at the expense of individual liberty and freedom.

In the wake of the most recent financial and economic crisis of 2008–2009, many people have become concerned that their savings, mostly invested in fiat-denominated bank accounts and bonds, could be devaluated. This has prompted a search for 'better', or sound, money. The new kids on the block are the digital, or: crypto, currencies, and the most famous of them is the 'bitcoin'.

The bitcoin is a digital currency generated by decentralised, internet-based computers rather than a central authority. Transactions through digital curren-

cies are confirmed, or validated, by a decentralised consensus system that uses the 'blockchain'. The latter is essentially a public digital ledger, an account statement for transactions among computers. The blockchain is saved on many computers so that it is practically impossible to manipulate. In the case of bitcoin specifically, the blockchain ensures that only the bitcoin's owner can make a transaction with his bitcoin, that the same bitcoin cannot be created manifold.

It is also possible to create so-called 'coloured bitcoin'. The latter is a method for representing and managing real assets using the blockchain. For instance, a coloured bitcoin can make physical gold available for day-to-day transactions – for purchases and sales in supermarkets and on the internet – simply by transferring a gold-backed coloured bitcoin from the bitcoin wallet of the buyer to the bitcoin wallet of the seller.

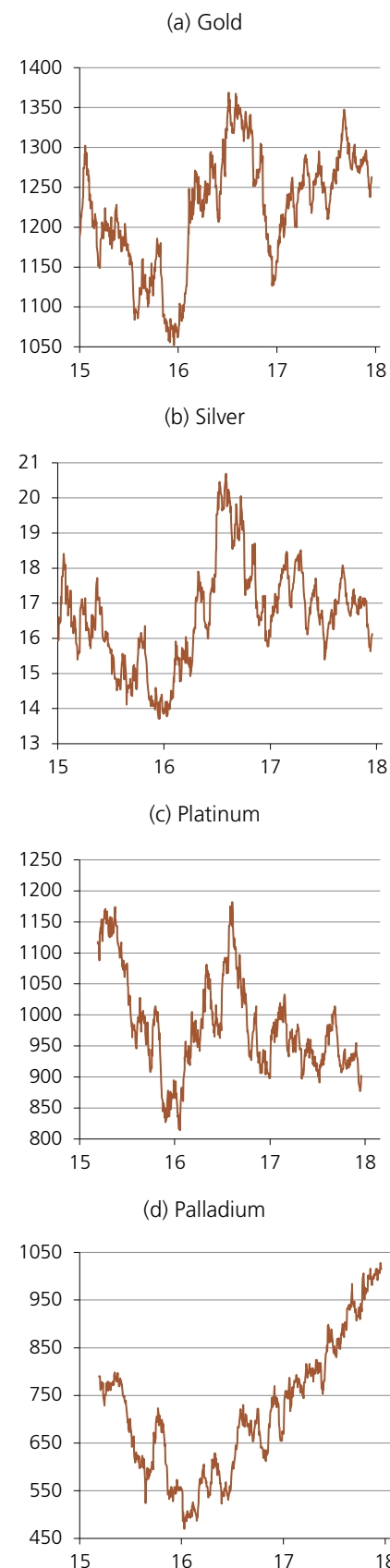
How could one obtain such a gold-backed bitcoin? You would buy, say, physical gold at a gold shop. The latter issues a coloured bitcoin, which represents the ownership of physical gold. The coloured bitcoin is, economically speaking, a gold substitute (a digital banknote, so to speak, fully backed by physical gold). It can be used for making purchases and, upon the wish of its owner, it can be redeemed into physical gold at the gold shop at any time.

A coloured bitcoin, however, represents a physical object that exists outside the blockchain. It, therefore, entails the risk that the issuer might not live up to his promise. However, there are market solutions to this problem. For instance, the gold can be stored with a particularly trustworthy third party. Or people diversify, meaning they hold coloured bitcoins issued by several issuers. If the latter are considered to comprise the same risk, coloured bitcoins will trade at the same price.

That said, the gold-on-the-blockchain technology appears to hold great potential when it comes to facilitating a world of digital gold money. So far, governments use regulation and taxation to inhibit and even prevent unencumbered competition among monies. However, the evolution of the blockchain largely circumvents many of the obstacles governments put in the way of a free market in money. The outcome of all this is, of course, impossible to predict with certainty.

When compared to government-issued fiat money, digital currencies can indeed offer attractive alternatives. The same applies to digitized gold: Blockchain technology can be used as the means of using physical gold money, and in the end, it may well be digitised gold money that becomes an attractive and highly practical option, replacing fiat currencies around the world. In any case, a new competition among money has emerged, in which fiat currencies are most likely to lose out.

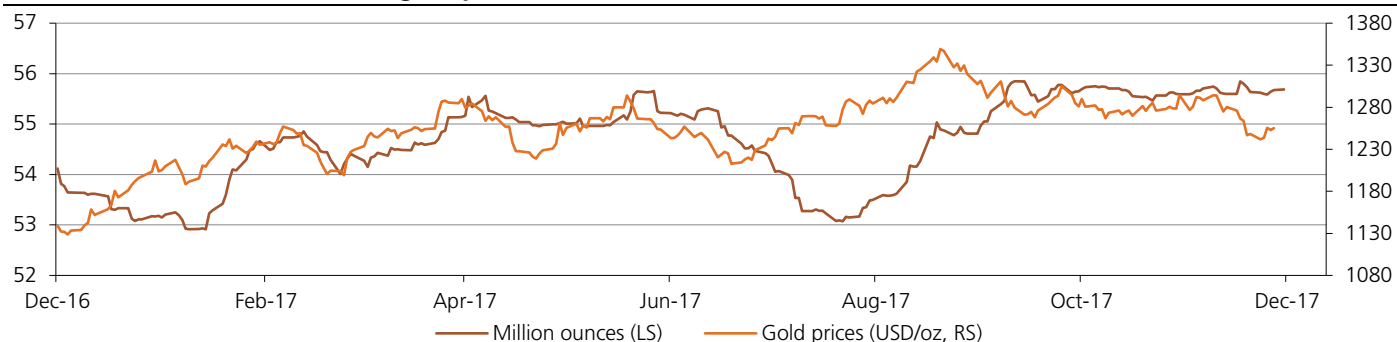
Precious metal prices (USD/oz)



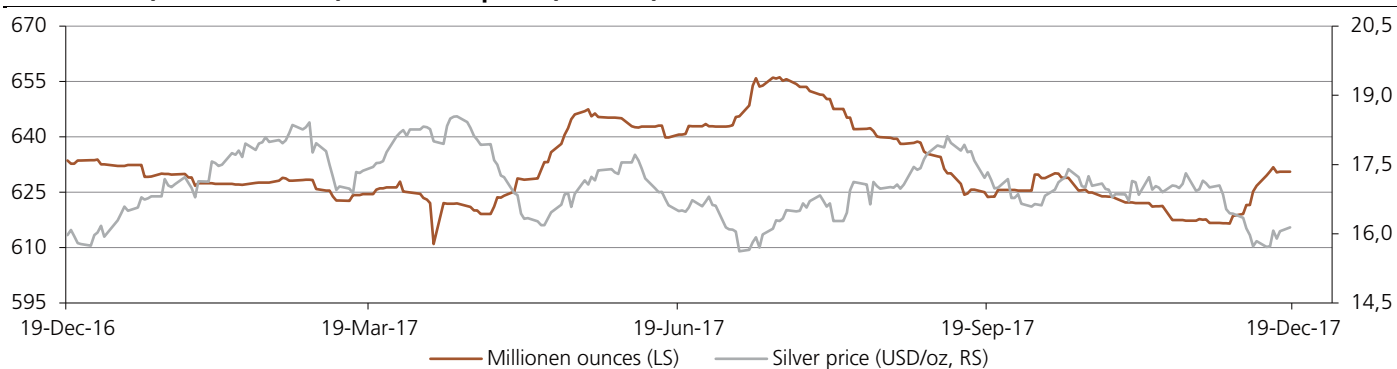
Source: Thomson Financial.

Precious metals prices and ETF holdings

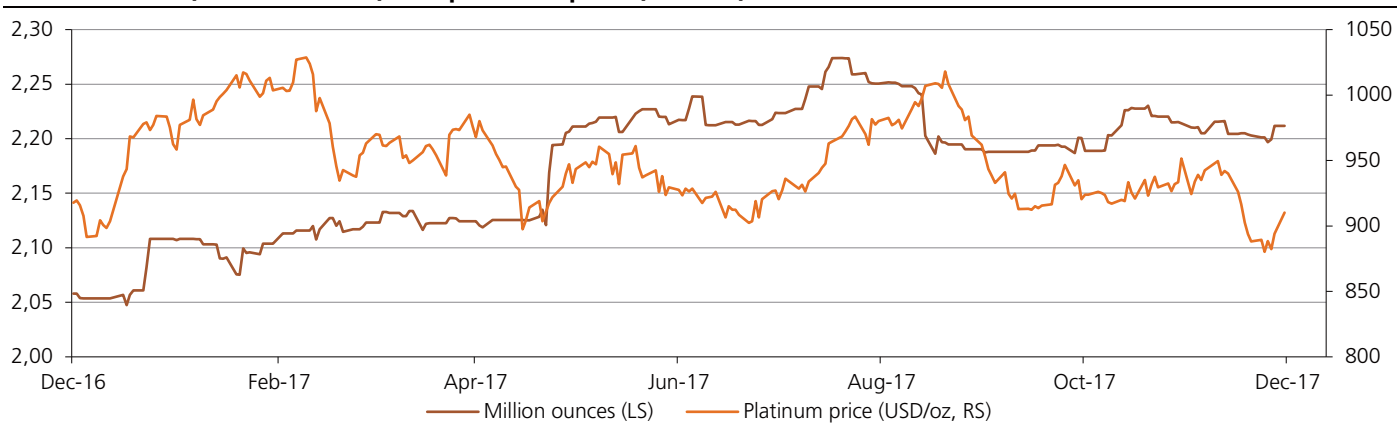
Gold ETFs (million ounces) und gold price (USD/oz)



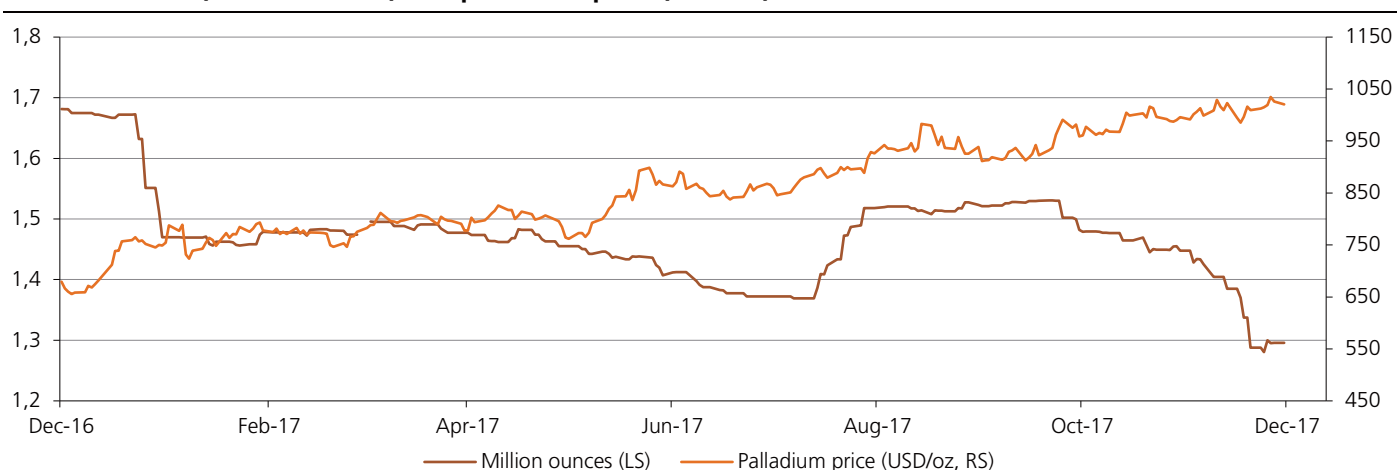
Silver ETFs (million ounces) and silver price (USD/oz)



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	1261.3		16.1		913.5		1022.5	
II. Gliding averages								
5 days	1251.2		15.9		884.6		1015.4	
10 days	1253.3		15.9		892.4		1009.5	
20 days	1269.8		16.3		915.4		1008.3	
50 days	1276.6		16.7		922.6		993.3	
100 days	1286.6		16.9		942.5		958.6	
200 days	1269.0		17.0		940.4		890.5	
III. Projections for 2017	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>
	1148.0	1390.0	15.9	23.0	906.0	1100.0	700.0	900.0
IV. Annual averages								
2013	1429		24		1487		724	
2014	1260		19		1382		800	
2015	1163		16		1065		706	
2016	1242		17		985		617	

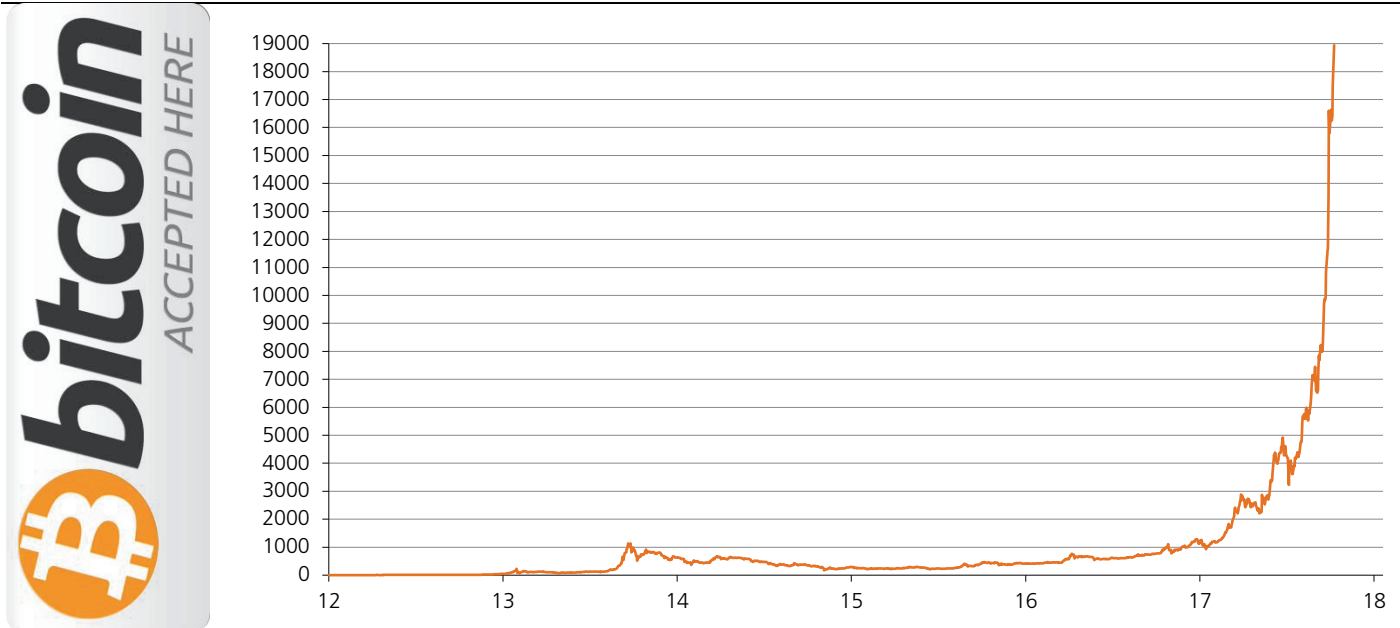
In euro

	Gold		Silver		Platinum		Palladium	
I. Actual	1065.3		13.6		771.5		863.6	
II. Gliding averages								
5 days	1063.2		13.5		751.7		862.8	
10 days	1063.9		13.5		757.6		857.0	
20 days	1074.4		13.8		774.5		853.2	
50 days	1085.5		14.2		784.5		844.7	
100 days	1090.0		14.3		798.5		812.3	
200 days	1110.0		14.9		823.0		777.1	
III. Projections for 2017	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>
	1000.4	1211.3	13.8	20.0	789.5	958.6	610.0	784.3
IV. Annual averages								
2013	1079		18		1123		547	
2014	945		14		1035		601	
2015	1044		14		955		633	
2016	1120		15		888		557	

Source: Thomson Financial; own calculations and estimates.

Bitcoin, performance of various asset classes

Bitcoin in US dollars

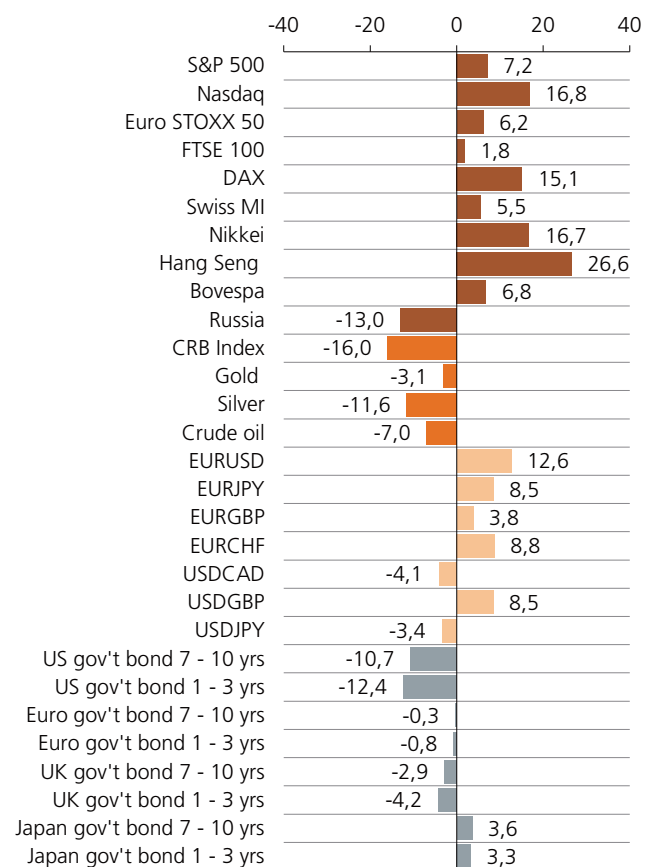
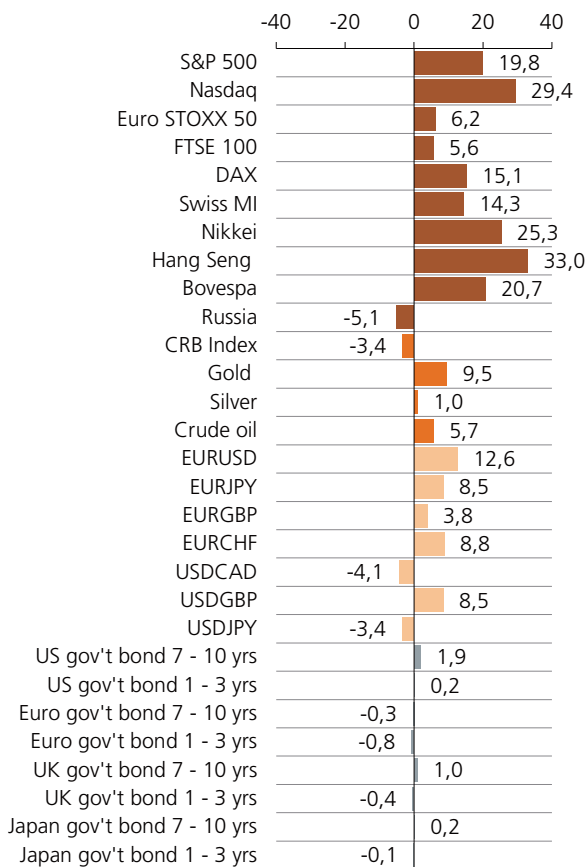


Source: Thomson Financial.

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
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 Bore, 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>
22 July 2016	The Demise of the Interest Rate – the Comeback of Gold Money
8 July 2016	Escaping the Euro Trap
24 June 2014	The Credit Cycle and the Price of Gold
10 June 2016	Savvy Investors Say Yes to Gold and Stocks Despite Prospective Fed Rate Hike

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