

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	1.252.9	2.5	4.3	-1.7
Silver	14.7	3.8	1.4	-10.4
Platinum	791.8	-0.7	1.2	-15.9
Palladium	1.262.0	7.1	28.6	25.4
II. In euro				
Gold	1.092.1	1.2	5.5	2.0
Silver	12.8	2.4	2.6	-6.9
Platinum	690.1	-2.1	1.7	-12.4
Palladium	1.100.0	5.7	30.3	30.0
III. Gold price in other currencies				
JPY	140.076.0	1.0	5.1	-2.3
CNY	8.627.7	1.5	5.2	2.4
GBP	987.5	3.1	6.6	4.8
INR	87.635.5	1.9	2.8	6.6
RUB	84.505.3	3.1	4.3	13.5

Source: Thomson Financial; own calculations.

OUR TOP ISSUES

Dear reader,

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

The next Degussa Market Report will be published on 17 January 2019.

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

Gold Money in a Digitalised World Economy

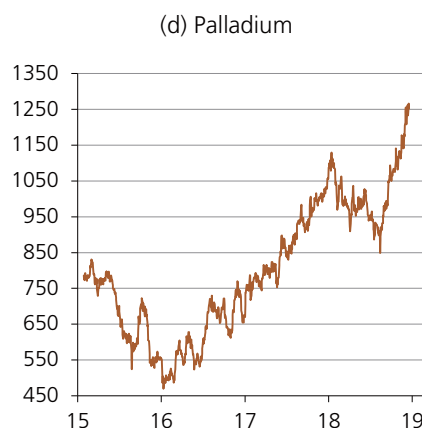
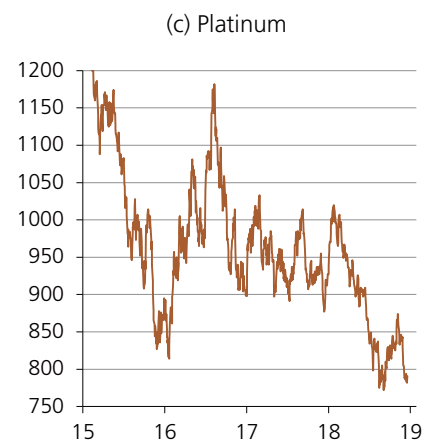
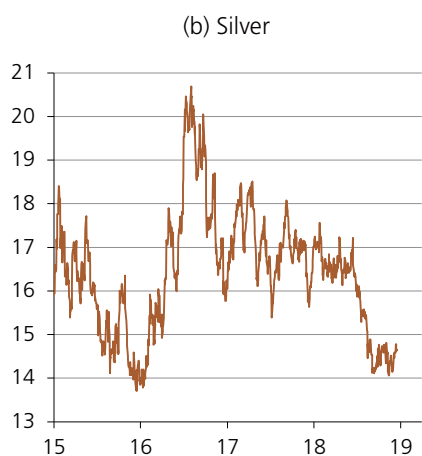
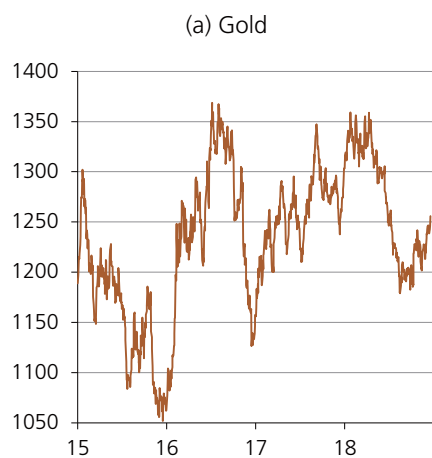
In what follows you find an extract from the paper: *Gold Money in a Digitalised World Economy, preliminary version, presented at the Annual Conference of the Center of Economic Research for Monaco (CEPROM), 6 December 2018 in Monaco.*

The emergence of *new technologies* and their impact on peoples' lives – the buzzwords are *digitalisation* and *digital transformation* – brings far-reaching change. In fact, it may even revolutionise the world's current monetary system by giving *people a free choice of currency*. Needless to say that such a development could turn out to be fairly disruptive, inducing economic and political change on a possibly grand scale: The propagation of new technologies among consumers and corporates – distributed ledger technologies (DLT) in particular – could ultimately pose a challenge to the *prevailing state-controlled fiat currency architecture*.

At the very heart, a free choice in currency and its concomitant *competition among currencies*, if let loose, would presumably also affect the state as we know it today and with it the established economic and political-social order. – The purpose of this paper is twofold. First, it wants to explain that a free market in money is nothing to fear, that it is the '*natural*' order of money' and as such highly desirable from an economic and social-ethical viewpoint. Second, the article attempts to outline that a free market in money is practicable and feasible, and that the idea of a free market in money has already gained quite some ground in recent years.

Right at the start I should emphasise that a free market in money is the direct result of what Ludwig von Mises (1881 – 1973) termed the *sound money principle*: "[T]he sound-money principle has two aspects. It is affirmative in approving the market's choice of a commonly used medium of exchange. It is negative in obstructing the government's propensity to meddle with the currency sys-

Precious metal prices (USD/oz) in the last 4 years



Source: Thomson Financial.

tem.”¹ And further: “It is impossible to grasp the meaning of the idea of sound money if one does not realise that it was devised as an instrument for the protection of civil liberties against despotic inroads on the part of governments. Ideologically it belongs in the same class with political constitutions and bills of rights.”² This paper has been structured as follows.

It starts with some fundamental insights into monetary theory (2.). To make a case for a free market in money, the economic and ethical deficiencies of today’s fiat currencies will be highlighted (3.). Against this backdrop, the functioning of a free market in money will be outlined and its *potential for development* will be illustrated by (i) latest moves in various US federal states to officially treat gold and silver as money and (ii) recent attempts to provide a digitalised gold trading and payment system (4.). After some remarks about the economic and social-political consequences a return to a free market in money might entail (5.), the article concludes with some considerations as to whether a free market in money will (still) be possible (6.).

(...)

Against this backdrop, we may conclude that a free market in money is possible as long as not all states in this world walk in lockstep; then there should remain some breeding ground which can bring forth sound money.

Perhaps just one smoothly-functioning prototype of free market money may suffice to inspire more and more people around the globe, making them wish to follow suit – especially when the next fiat currency crisis hits and people look out for sound money.

While digitalisation and digital transformation are by themselves powerful forces for monetary reform, we should by no means overlook that, at the end of the day, a return to sound money is an intellectual endeavour.

In this context we may wish to quote Hayek again, who wrote: “What we now need is a Free Money Movement comparable to the Free Trade Movement of the 19th century”... . No doubt: A thorough understanding of the economic and ethical deficiencies of fiat money, and the economic and ethical benefits provided by a free market in money, should increase the chances that people will ultimately succeed in returning to sound money. One of the ‘money aspirants’ in a free market in money is, I think, digitalised gold.

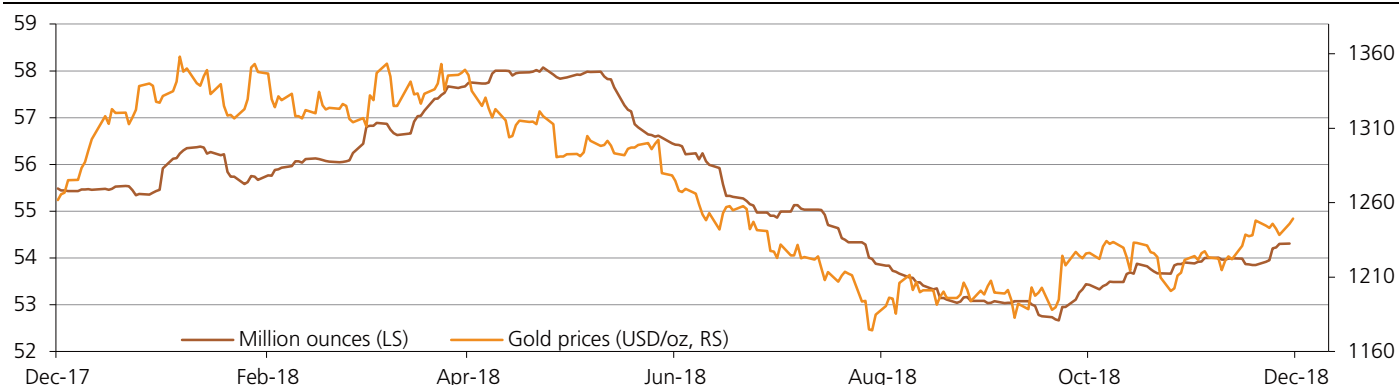
For further reading, click [here](#).

¹ Mises (1953), *Theory of Money and Credit*, p. 414.

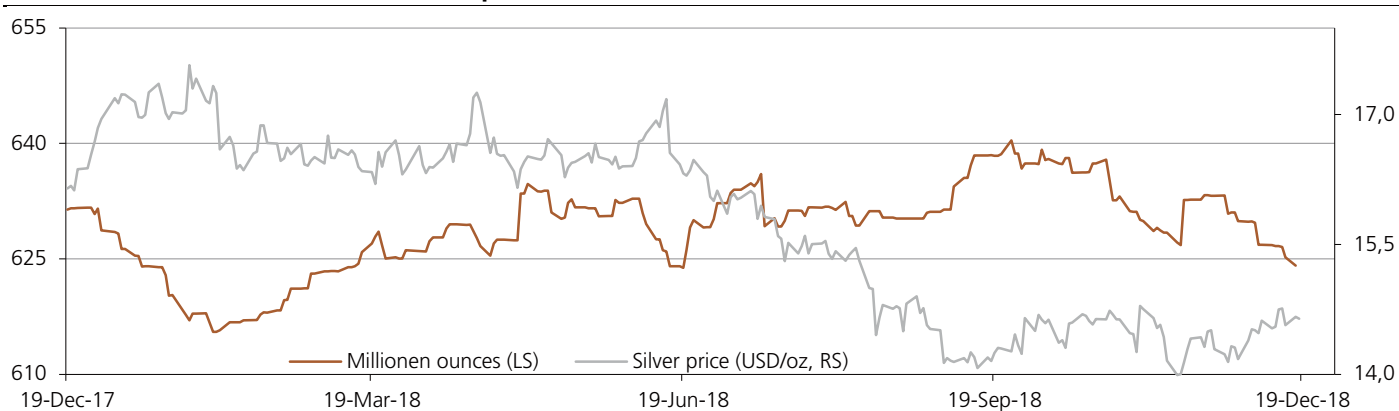
² *Ibid.*

Precious metals prices and ETF holdings

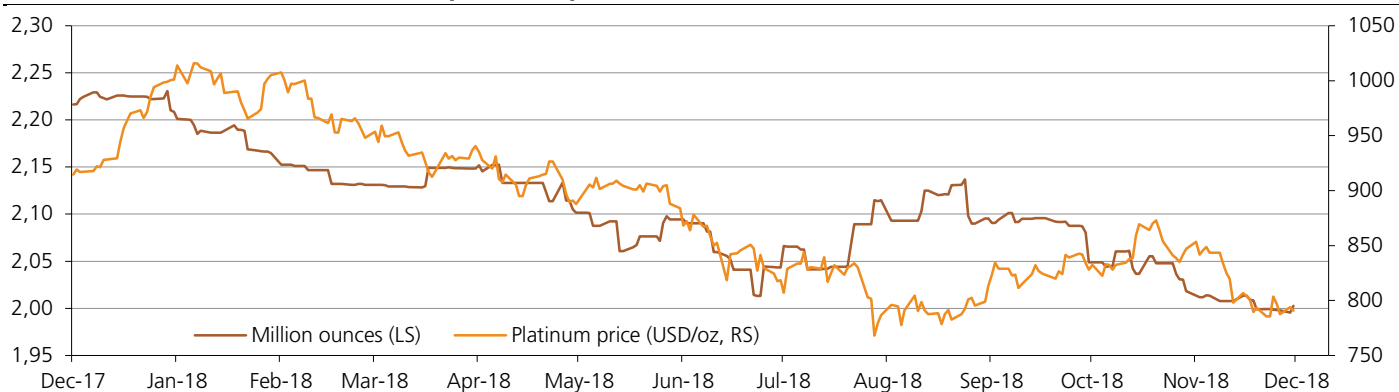
Gold ETFs (million ounces) and gold price (USD/oz)



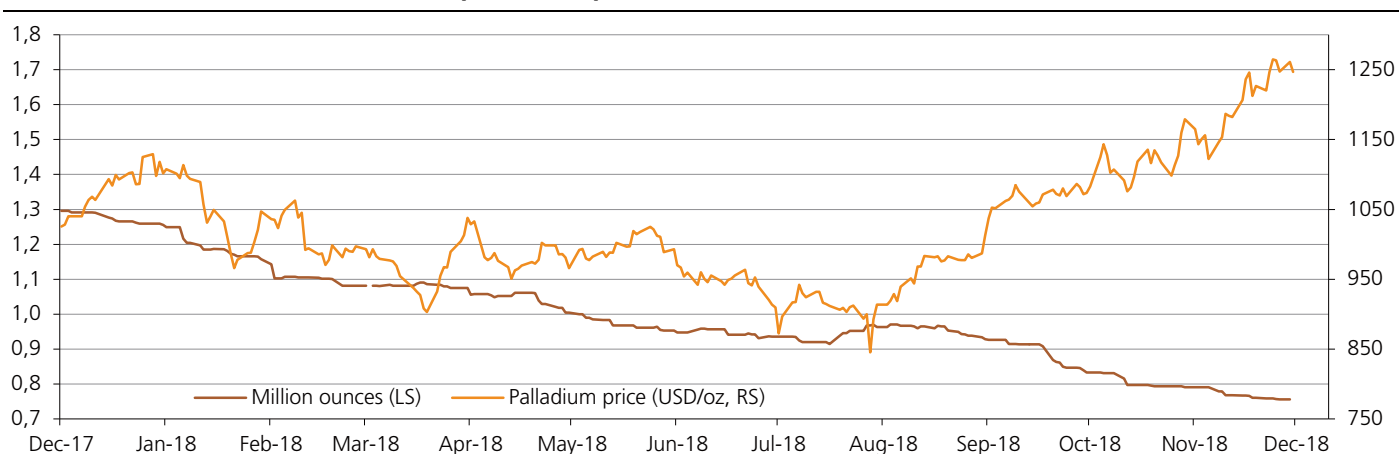
Silver ETFs (million ounces) and silver price (USD/oz)



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	1252.7		14.7		791.3		1266.1	
II. Gliding averages								
5 days	1245.2		14.7		787.2		1254.4	
10 days	1245.2		14.7		787.5		1245.1	
20 days	1235.5		14.5		805.0		1215.0	
50 days	1228.2		14.5		827.9		1153.9	
100 days	1213.6		14.6		817.4		1066.5	
200 days	1253.4		15.5		855.1		1017.2	
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)	0	17	9	43	18	32	-18	0
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

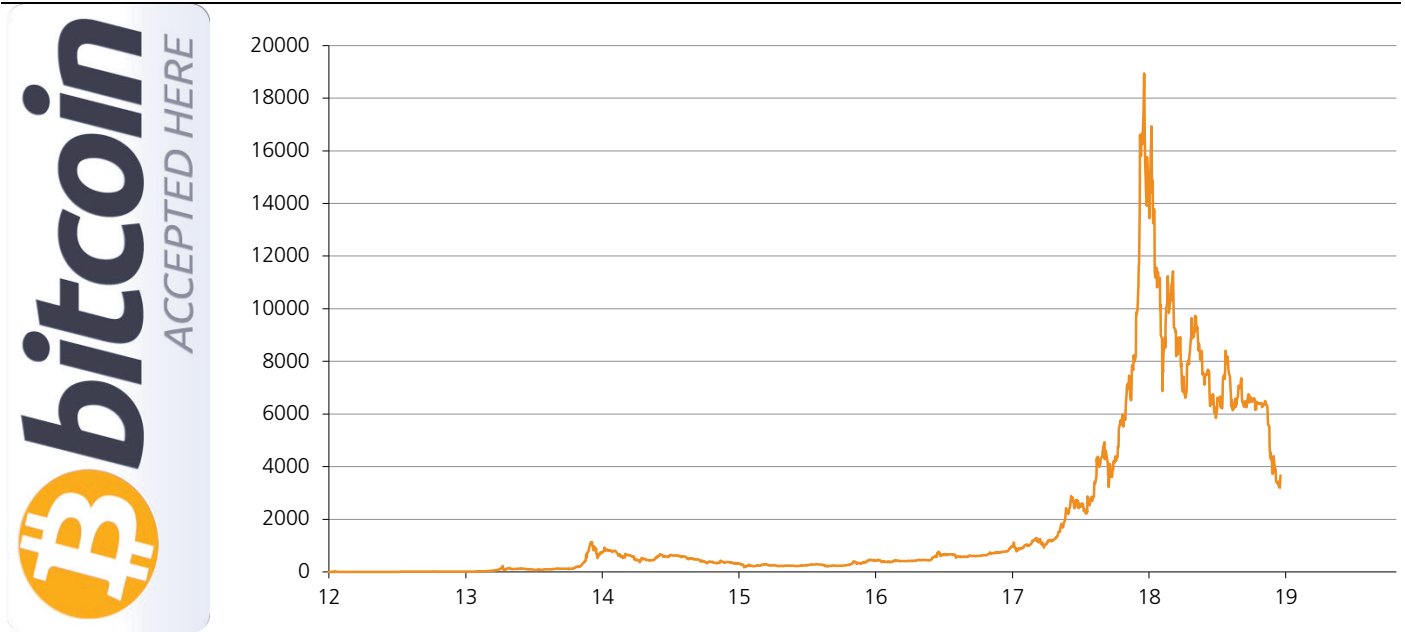
	Gold		Silver		Platinum		Palladium	
I. Actual	1092.6		12.8		690.2		1104.3	
II. Gliding averages								
5 days	1096.8		12.9		693.4		1104.9	
10 days	1096.1		12.9		693.2		1096.0	
20 days	1088.5		12.8		709.2		1070.4	
50 days	1078.1		12.7		726.7		1013.0	
100 days	1056.3		12.7		711.4		928.9	
200 days	1071.0		13.2		730.4		870.8	
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>
	1080.8	1274.2	13.8	18.2	810.4	907.6	894.1	1091.7
(1)	-1	17	8	42	17	32	-19	-1
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

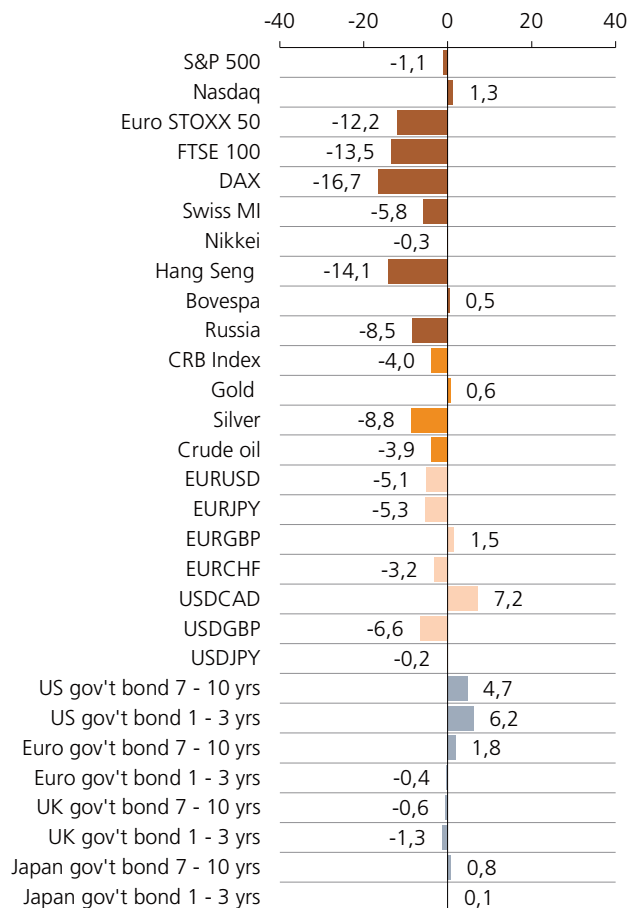
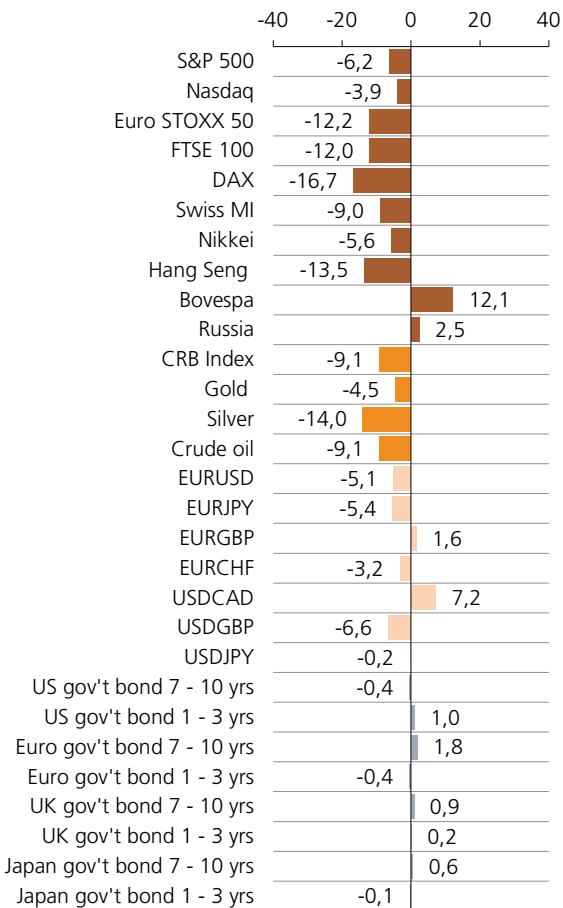


Source: Thomson Financial.

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
20 December 2018	Gold Money in a Digitalised World Economy
10 December 2018	The Fed Supports Gold
23 November 2018	The Fed Is Not Our Saviour
9 November 2018	The Missing Fear – And The Case For Gold
26 October 2018	President Trump is right: The Fed Is A Big Problem
12 October 2018	Here Goes The Punch Bowl
28 September 2018	The Fed's Blind Flight
14 September 2018	How Fed Policy Relates to the Price of Gold
31 August 2018	Central Banks Enrich a Select Few at the Expense of Many
17 August 2018	The US dollar And Gold – Is this Time Different?
20 July 2018	Not All Is Well In Financial Markets
22 June 2018	Euro-Banks In Trouble. A Case for Gold
8 June 2018	Demand for Gold ETFs up Despite Higher Interest Rates
25 May 2018	Mind The Interest Rate
11 May 2018	Mr Buffett on Gold – Viewed Differently
27 April 2018	Moving Towards Higher Gold Prices
13 April 2018	The Risk of a Currency Crisis
29 March 2018	Walking the Tightrope
16 March 2018	Gold, Interest Rates, And Money
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

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