

If the Fed opts to continue financing the expansion of indebtedness that has been mounting for a decade, it will have to churn out more and more greenbacks. And that will drive up the gold price.

It's impossible to predict what changes lay ahead in the wake of the 45th US presidential election, but if Mr Trump is taken at his word, it will be anything but business as usual. So what happens if the US administration, in a bid to make America great again, decides to reinstate past golden-era policies, for example, by reviving something akin to a gold standard? This would surely boost the price of gold for two reasons. For one, investors would have cause to fear defaulting debt instruments and tumbling stocks, which is likely to make the blonde metal all the more alluring. Rising demand would push the price up. For the other, if the US dollar was tethered to gold, it would have to be far dearer than the current market price. Either way, gold would look to be a most tantalizing proposition for investors.

Gold is a unique asset. Its track record as a truly 'hard' money reaches back across thousands of years. It cannot be debased by central banks' monetary policies. What's more, gold doesn't carry a default risk, unlike demand deposits held with banks. Finally, gold serves as a portfolio hedge: The gold price can be expected to go up in times of crisis, for instance, if borrowers were to default on a colossal scale. In this case, gold valued at a high price can be converted into, say, stocks of stellar companies trading at low prices.

Gold certainly hasn't lost its lustre, and in light of what are likely to be far-reaching economic and political changes ahead, it would seem to shine even brighter. If Mr Trump's declaration of love is genuine, chances are that the gold price will reciprocate those affections.

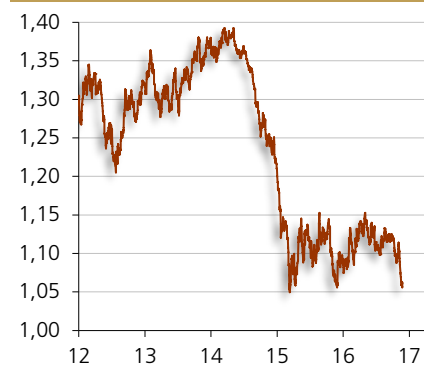
USD per ounce of gold



USD per ounce of silver

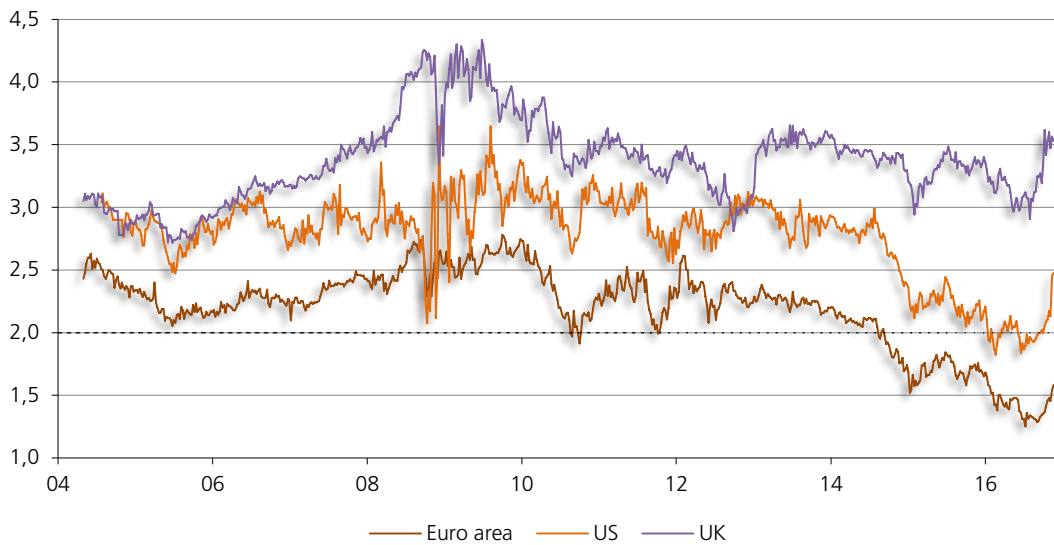


EUR USD



Source: Bloomberg

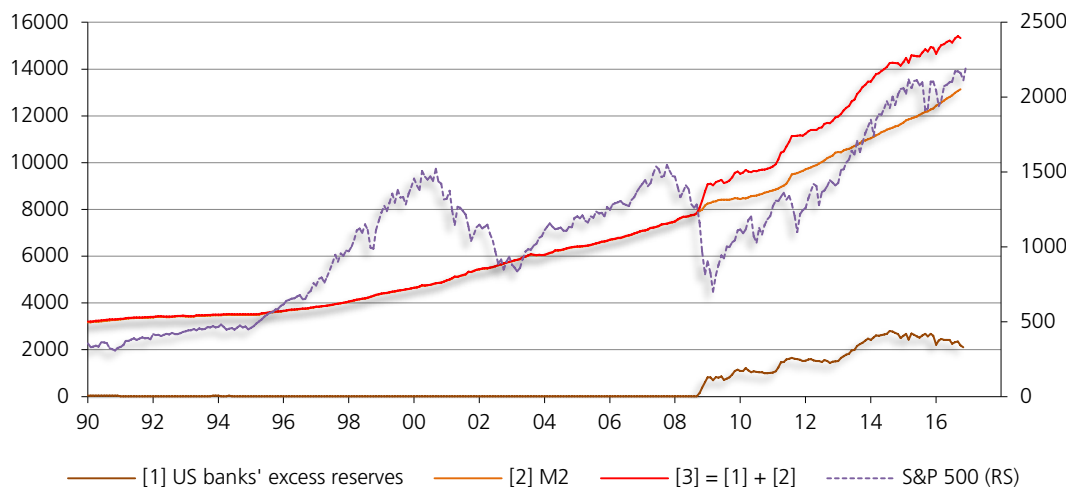
1 Inflation expectations (%)*



► Inflation expectations are well up in the UK, the USA and the euro zone, driven by Brexit anxiety in the UK and the presidential election in the USA and the euro zone.

Source: Thomson Financial.
*Inflations-Swaps, 5 years in 5 years.

2 S&P 500 and US monetary aggregates in US\$ bn



► It appears rising US liquidity has boosted stock prices (or asset prices in general).

Source: Thomson Financial

3 Gold price (euro/oz)



► The price of gold in euros is on an upward trajectory propelled by a weakening euro exchange rate.

Source: Bloomberg

Precious metals prices, actual and projections (per ounce)

In US-dollar

	Gold		Silver		Platinum		Palladium	
I. Actual	1,186.2		16.4		921.0		740.0	
II. Gliding averages								
5 days	1,202.0		16.5		930.5		735.0	
10 days	1,213.8		16.8		935.7		721.2	
20 days	1,249.5		17.6		964.5		682.8	
50 days	1,271.6		18.0		976.0		673.4	
100 days	1,303.5		18.8		1,038.6		677.6	
200 days	1,280.6		17.7		1,016.3		621.4	
III. Projections								
	<i>Range</i>		<i>Range</i>		<i>Range</i>		<i>Range</i>	
	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>
Q4 2016	1,251	1,360	17.1	20.1	800	1,170	660	730
Q1 2017	1,279	1,390	17.8	20.9	1,040	1,220	700	760
Q2 2017	1,306	1,420	18.5	21.8	1,080	1,270	730	790
Q3 2017	1,334	1,450	19.2	22.6	1,140	1,330	760	820
IV. Annual averages								
2013	1,398		23.4		1,473		725	
2014	1,252		18.6		1,370		805	
2015	1,154		15.5		1,043		684	
2016 (projected)	1,209		17.3		931		619	

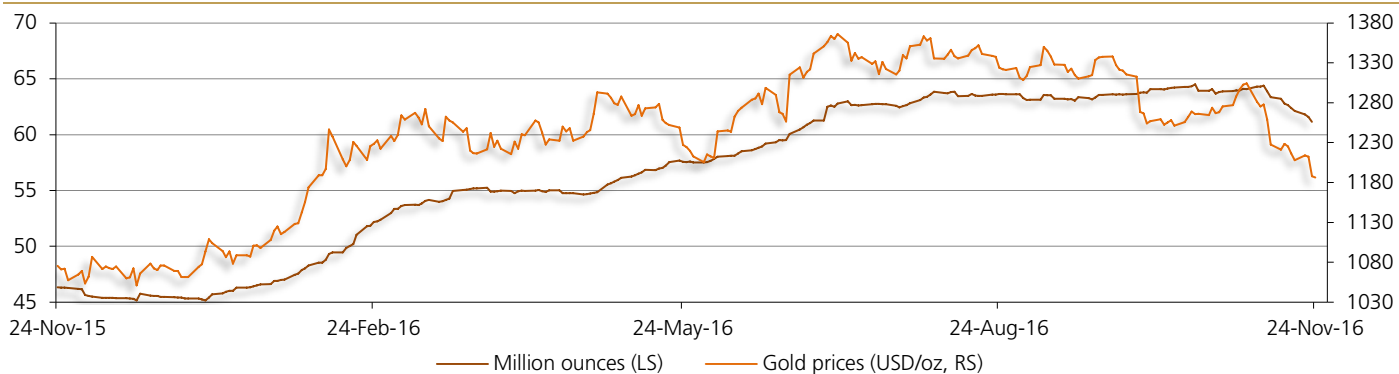
In Euro

	Gold		Silver		Platinum		Palladium	
I. Actual	1,123.6		15.5		872.4		700.9	
II. Gliding averages								
5 days	1,133.7		15.6		877.6		693.2	
10 days	1,135.1		15.7		875.1		674.7	
20 days	1,150.4		16.2		887.9		629.6	
50 days	1,155.1		16.3		886.5		612.1	
100 days	1,176.2		17.0		936.9		611.7	
200 days	1,148.2		15.8		911.1		557.4	
III. Projections								
	<i>Range</i>		<i>Range</i>		<i>Range</i>		<i>Range</i>	
	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>
Q4 2016	1,180	1,283	16.1	19.0	755	1,104	623	689
Q1 2017	1,242	1,350	17.3	20.3	1,010	1,184	680	738
Q2 2017	1,281	1,392	18.1	21.3	1,059	1,245	716	775
Q3 2017	1,334	1,450	19.2	22.6	1,140	1,330	760	820
IV. Annual averages								
2013	1,052		18		1,108		545	
2014	949		14		1,036		611	
2015	1,045		14		945		619	
2016 (projected)	1,098		16		846		562	

Source: Bloomberg; own calculations. Projections of Degussa Goldhandel GmbH (end of quarter); numbers are rounded.

Precious metals prices and ETF holdings

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



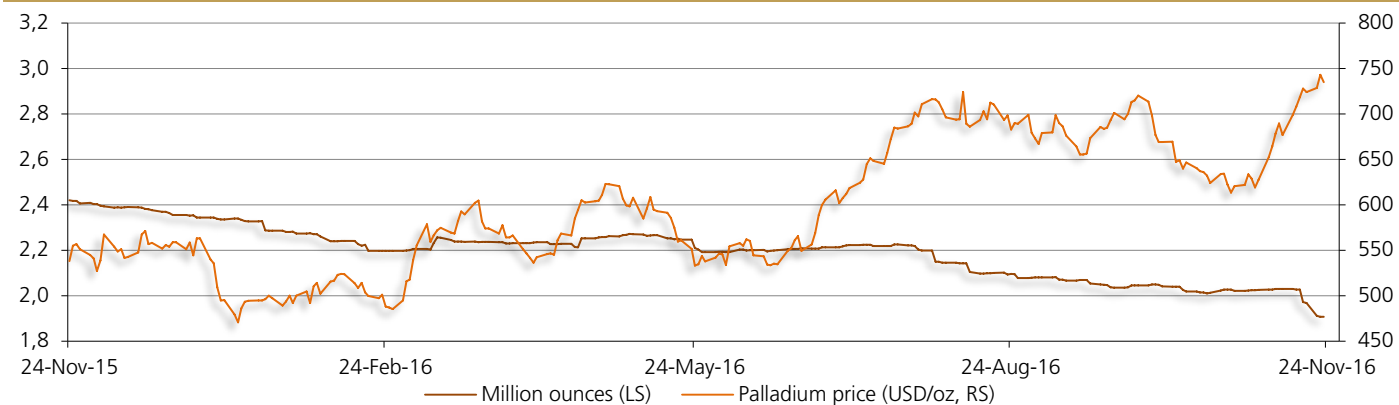
Silver ETFs (million ounces) and silver price (USD/oz)



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



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



Source: Bloomberg

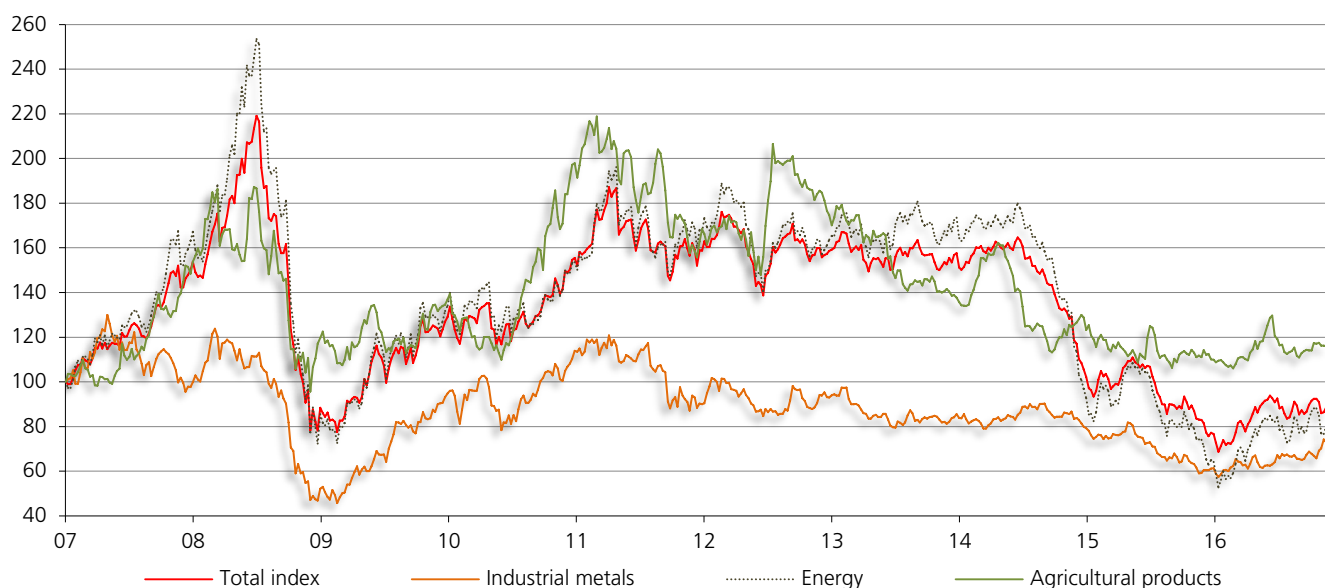
Commodity prices

Selected commodity prices

	Actual price in US-dollar	Change against (in percent):					Volatility (in percent):	
		1 week	1 mth	3 mths	6 mths	12 mths	30 days	90 days
I. Energy								
WTI crude oil	47.98	8.7	3.2	7.8	-6.1	-5.9	31.2	34.2
Brent crude oil	49.00	9.5	2.8	8.7	-4.8	-11.9	31.3	33.8
Gasoline	143.32	9.8	9.1	17.3	2.1	3.2	32.9	32.6
Heating oil	152.33	8.7	4.2	10.9	-2.2	-9.8	28.7	30.9
Gas oil	447.75	9.1	4.1	12.1	-4.1	...	30.7	29.8
Natural gas	3.03	15.8	-5.3	-8.6	1.2	-0.5	45.4	33.6
II. Agriculture								
Corn	359.25	2.9	10.2	2.2	-13.5	-14.6	18.9	19.9
Wheat	423.75	0.5	3.3	-7.9	-17.0	-24.0	17.6	20.9
Soy beans	1034.25	4.9	9.3	3.1	-1.8	15.0	16.8	19.6
Coffee	157.70	-3.3	5.0	3.5	22.5	17.0	30.3	26.0
Sugar	19.58	-9.8	-4.8	0.7	9.2	47.1	25.2	27.6
Cotton	71.64	3.8	8.5	-3.1	12.1	14.5	17.5	21.0
III. Industrial metals								
Aluminum	1778.00	1.9	10.2	8.2	14.3	12.7	17.6	15.1
Copper	5740.00	3.4	24.3	16.5	22.9	11.2	21.7	17.6
Zinc	2670.00	8.0	15.6	19.0	38.8	58.1	28.1	22.3
Lead	2224.00	5.4	16.8	22.0	30.8	33.0	20.5	20.4
Iron ore	74.39	0.2	29.8	27.6	57.6	30.1
IV. Precious metals								
Gold	1181.65	-3.7	-9.7	-12.6	-2.7	6.0	14.5	12.5
Silver	16.31	-6.1	-12.6	-19.8	1.8	12.3	30.3	25.9
Platinum	915.55	-3.1	-12.9	-20.3	-6.5	0.6	22.1	20.6
Palladium	733.18	8.4	9.3	3.2	34.1	12.5	28.7	28.8
V. Ratios								
Gold-silver	72.60	3.6	3.6	9.0	-4.3	-5.5	20.9	16.8
Gold-platinum	1.29	-0.9	3.9	10.0	4.3	5.6	15.3	14.8
Gold-palladium	1.61	-10.2	-17.3	-15.1	-27.4	-5.4	29.5	26.9
Palladium-platinum	0.80	10.8	25.6	29.7	43.4	11.6	30.0	23.2

Source: Bloomberg; own calculations.

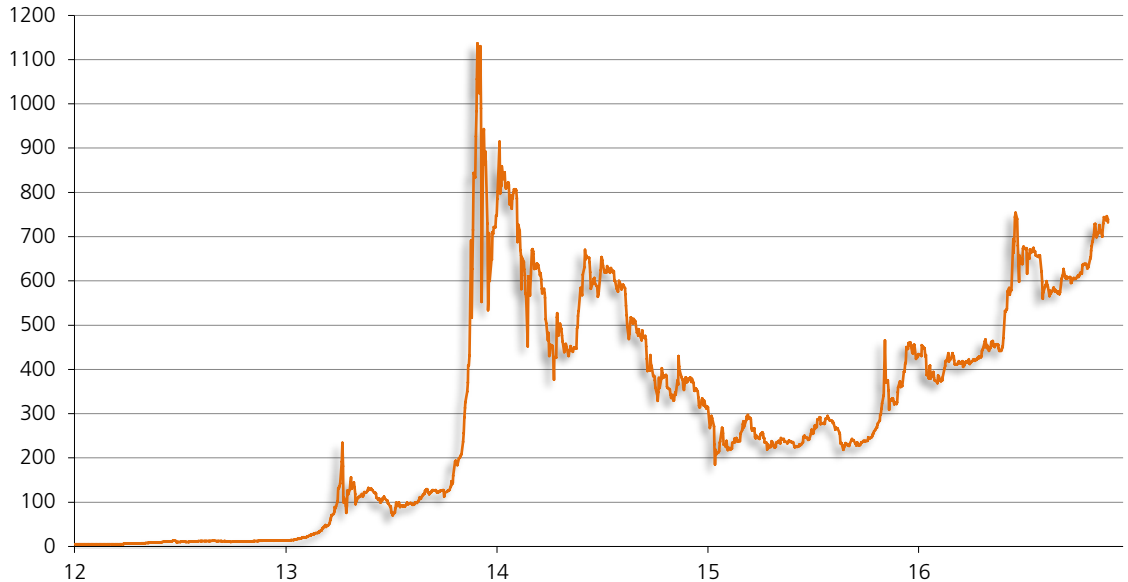
S&P commodity prices (in US dollar terms)



Source: Bloomberg. Series are indexed (January 2007 = 100)

Bitcoin, performance of various asset classes

Bitcoin in US dollars

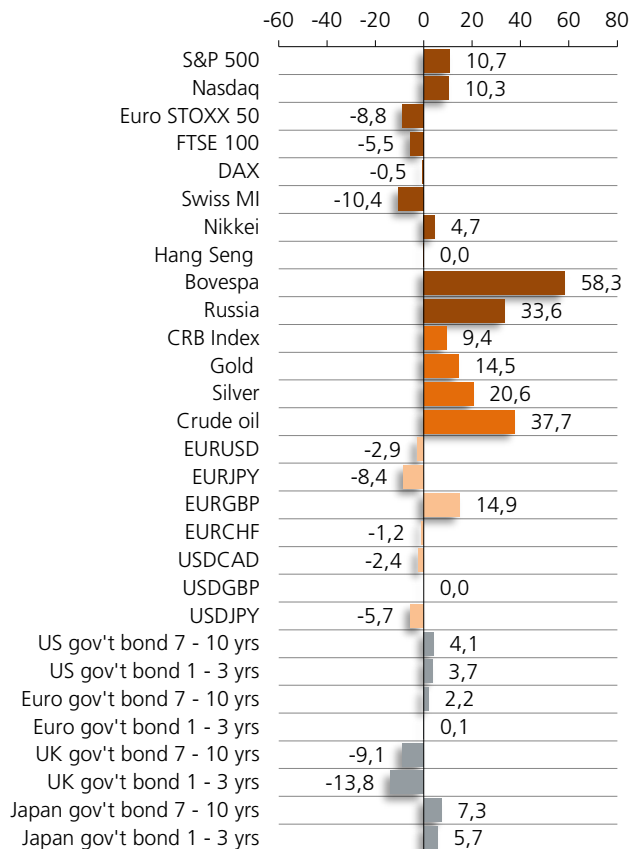
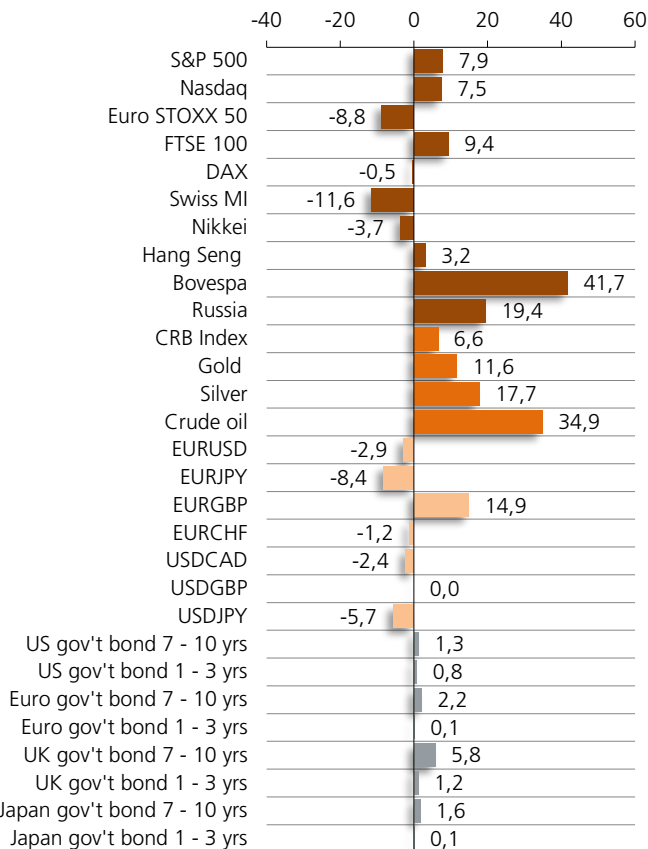


Source: Bloomberg

Performance of stocks, commodities, FX and bonds

(a) In national currencies

(b) In euros



Source: Bloomberg; own calculations

Articles in earlier issues of the *Degussa Market Report*

Issue	Content
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 2016	The Credit Cycle and the Price of Gold
10 June 2016	Savvy Investors Say Yes to Gold and Stocks Despite Prospective Fed Rate Hike
27 May 2016	Central Banks' Illusory Independence and the Price of Gold
13 May 2016	The Fight Against "Secular Stagnation" and Its Consequences for Gold and Silver Prices
29 April 2016	US Dollar's Dominance Challenged By Gold
15 April 2016	A World without Returns
1 April 2016	Helicopter Euros Hovering on the Horizon
18 March 2016	Gold and Stocks Protect Against 'Helicopter-Euros'

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Imprint

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

Deadline for this edition: 25 November 2016

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

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