

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	1.316.7	-2.1	-1.2	4.1
Silver	16.5	-0.7	-0.9	-4.4
Platinum	905.5	-2.4	-9.4	-2.3
Palladium	983.8	-0.3	-7.3	19.5
II. In euro				
Gold	1.088.7	-0.2	0.6	-3.5
Silver	13.6	1.3	1.0	-11.3
Platinum	748.7	-0.7	-7.7	-9.8
Palladium	813.0	1.9	-5.6	10.5
III. Gold price in other currencies				
JPY	143.899.0	-0.3	1.0	2.1
CNY	8.346.1	-1.1	-0.8	-3.0
GBP	946.3	0.2	-0.8	-3.7
INR	87.897.6	0.2	1.8	7.8
RUB	82.468.3	-1.1	11.3	15.6

Source: Thomson Reuters; own calculations.

OUR TOP ISSUE

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

Moving Towards Higher Gold Prices

If you were to ask me 'What do you think is currently the most important factor for the gold price?', my answer would probably be: *the interest rate*. On the one hand, the interest rate represents the opportunity costs for holding gold. Generally speaking, the higher the interest rate is, the costlier it is to hold gold, as the gold holder foregoes interest income. That said, rising interest rates would argue for lower gold demand and thus lower gold prices and vice versa.

On the other hand, the interest rate plays the pivotal role for the stability of the economic and financial system. Central banks' artificially low interest rate policies have been instrumental for bringing about the current boom of the world economy. By pushing interest rates down, monetary policymakers have provided significant relief to financially ailing banks and governments and, in particular, inflated prices for stocks and housing prices.

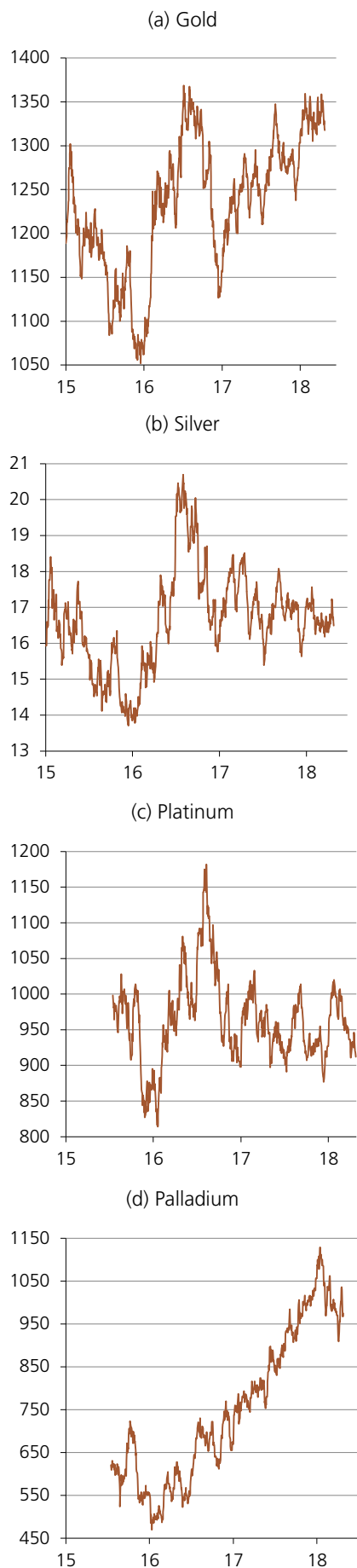
But now the US Federal Reserve has embarked upon an interest rate hiking spree, gradually increasing borrowing costs. This will not be without more extensive effects for the economic and financial system, not only in the US but worldwide. As interest rates go up, asset prices will come under pressure. For instance, future corporate profits will be discounted with higher interest rates, reducing their fair value and thus their market price. What is more, firms will realise that some of their investment returns will fall short of expectations, and certain investments will turn out to be outright failures.

Needless to say that borrowers – consumers, firms, and governments alike – will be hit hard as credit costs go up. They will have to refinance their maturing loans at higher interest rates, and this will reduce their spending power. At the same time, most peoples' 'balance sheet' deteriorates if and when higher interest rates lower the prices for stocks and real estate. Taken together, higher interest rates would most likely dampen economic activity. A slowing down of the economies as interest rates rise would be the positive scenario, though.

The negative scenario would be that central banks will hike "too much", that they will increase interest rates to a level that will push the economy over the cliff. This is by no means an unlikely possibility in view of the more recent experiences with central banking. Take, for instance, the "New Economy Boom", which was initiated by the Fed's very lax monetary policy in the first place, before the Fed itself burst the bubble by implementing a restrictive policy. The same could be observed in the credit market bubble, which became the biggest economic and financial crisis in the Post WW II period.

But is there not a chance that central banks will do the right thing? That they will succeed in bringing interest rates to the 'right level'? Unfortunately, the

Precious metal prices (USD/oz)



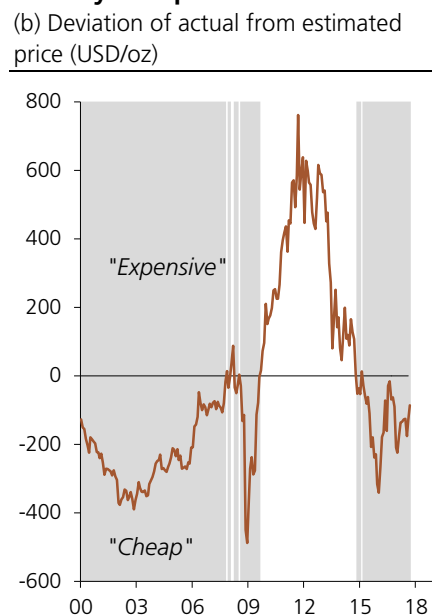
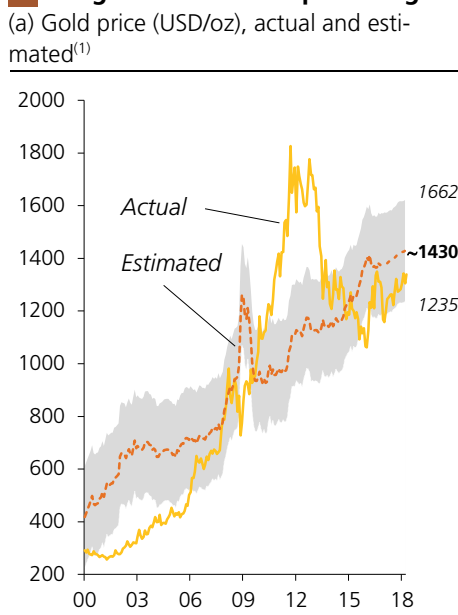
chances are pretty slim. This is because no one knows where the 'right level' is. Policymakers follow a 'trial and error' process. Once they realise that an error has been made on their side, it is already too late – as at that point in time the economy is already tanking. That said, it brings some serious risks to the economy and the financial system if and when central bankers meddle with the interest rate.

However, dealing with inflation – in the form of consumer price and/or asset price inflation – will presumably remain the biggest challenge for investors going forward. For if the current rate hiking cycle turns out to provoke yet another recession, central banks would most likely rush to change course, switching back to an ultra-loose monetary policy. Or central banks stop tightening policy soon. In both cases interest rates would return to or remain at artificially low levels, making the continuation of inflation of consumer and/or asset prices a likely scenario.

Against this backdrop, the savvy investor has good reasons to take a look at gold. Other than bank deposits and short-term debt instruments the yellow metal does not entail a credit, or counterparty, risk, protecting against a "system crash". What is more, gold cannot be debased by monetary policy – in contrast to fiat currencies. These two properties make gold the "ultimate means of payment" and an effective portfolio insurance against the vagaries of central bank policies. This brings us back to the importance of the interest rate for the price of gold.

A further increase in interest rates would no doubt come with higher risks for economic and financial stability – and it is not too far-fetched to assume that this could be quite supportive for the price of gold, especially in view of the currently rather suppressed credit default and inflation premia in the markets. This conjecture comes with a macroeconomic data set suggesting that the current price of gold trades relatively cheaply – making gold a portfolio insurance with upside value potential – an attractive perspective for the long-term oriented investor.

1 Long-run estimates: price of gold is relatively cheap



Source: Thomson Financial; own calculations. ⁽¹⁾ Estimation period: January 1971 to March 2018. Explanatory variables: quantity of money, real short-term interest rates and a credit spread. Grey area: Estimation error.

Gold In Art



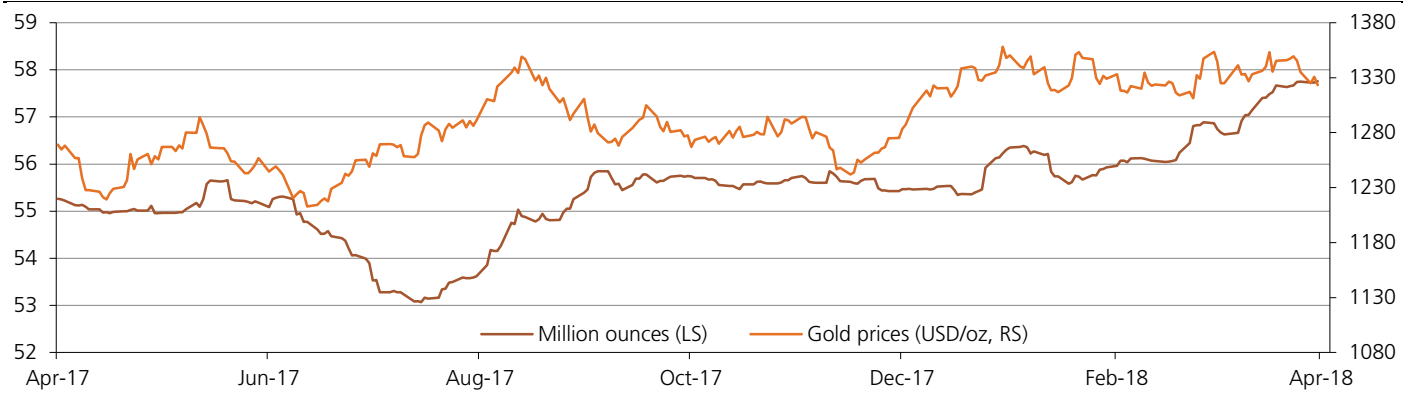
Roni Horn, *Gold Field*

Between 1980 and 1982, the American photo- and object artist Roni Horn (born 1955) created *Gold Field*: a sculpture in the form of a sheet of 99.9% gold (124.5 x 152.4 x 0.002 cm). Horn has been fascinated by gold since childhood and is mesmerised by the multifaceted mythological and economic significance of the yellow metal, its "simple physical reality". *Gold Field* is on display in the Solomon R. Guggenheim Museum in New York.

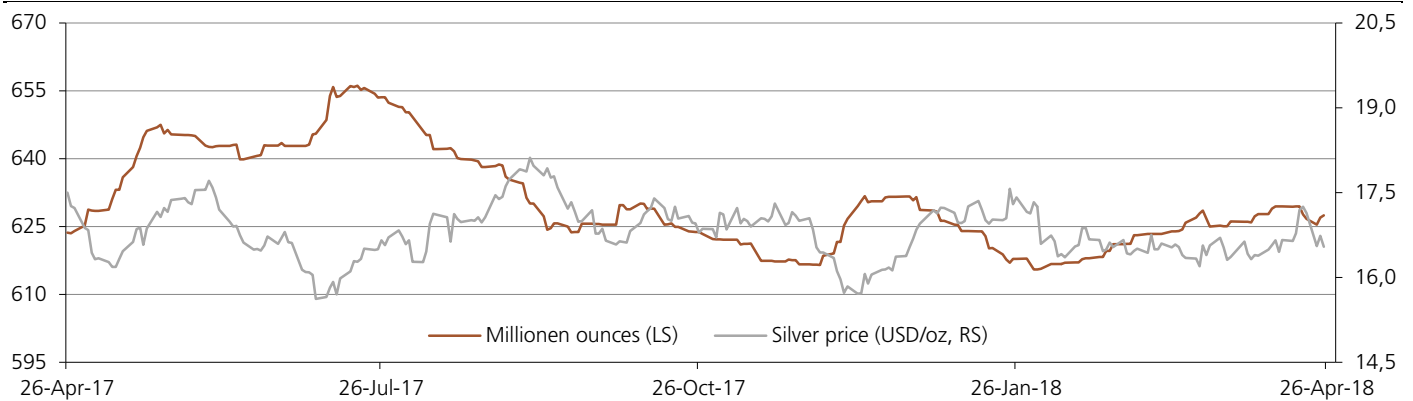
Dr Ruth Polleit Riechert, Art Historian (www.rpr-art.com).

Precious metals prices and ETF holdings

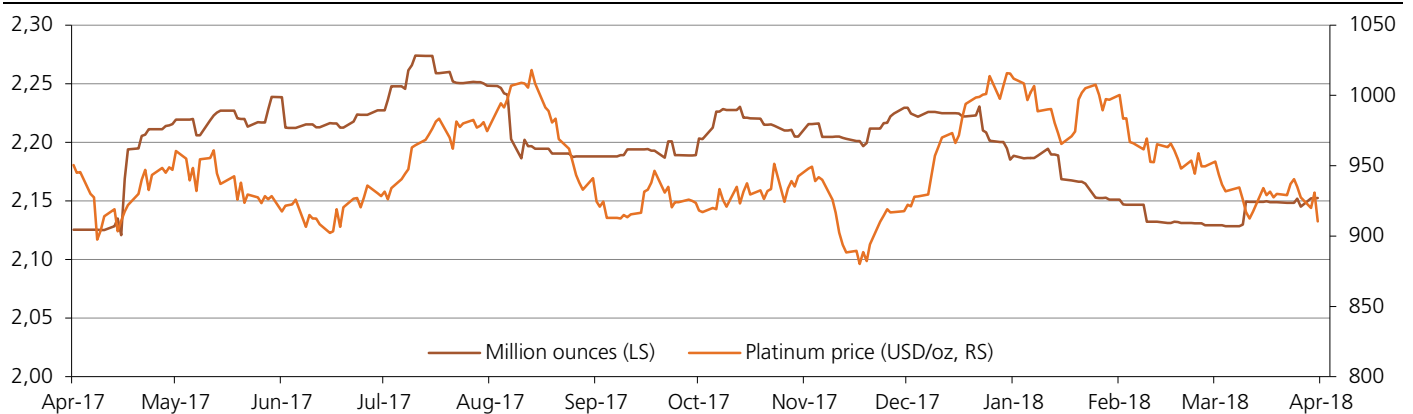
Gold ETFs (million ounces) and gold price (USD/oz)



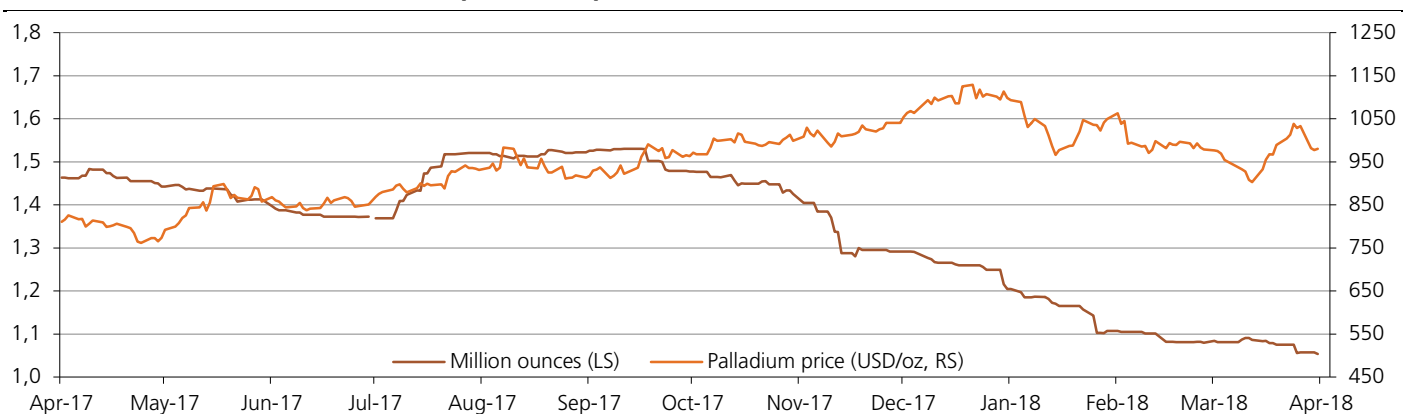
Silver ETFs (million ounces) and silver price (USD/oz)



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		1316.6		16.5		902.2		983.5
II. Gliding averages								
5 days		1333.6		16.4		918.6		924.8
10 days		1331.4		16.4		926.7		945.7
20 days		1330.0		16.4		939.6		966.7
50 days		1329.6		16.5		964.1		994.9
100 days		1313.6		16.6		955.6		1023.3
200 days		1297.1		16.8		949.5		976.5
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	-3	27	4	16	5	28
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

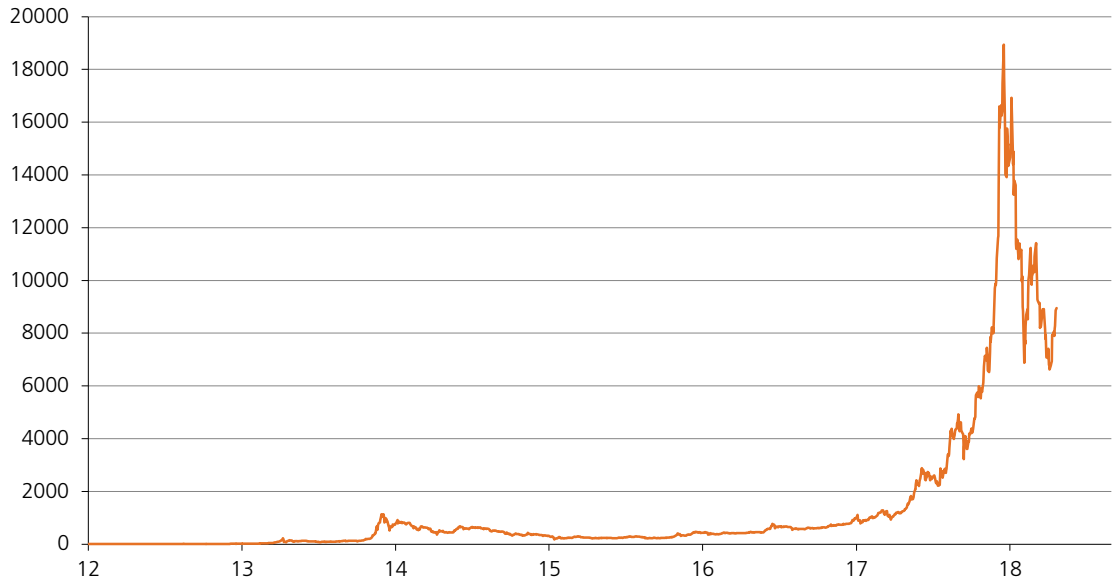
	Gold		Silver		Platinum		Palladium	
I. Actual		1089.0		13.6		746.3		813.5
II. Gliding averages								
5 days		1085.1		13.4		747.4		752.5
10 days		1082.6		13.3		753.5		768.9
20 days		1079.9		13.3		762.9		784.9
50 days		1078.2		13.4		781.8		806.7
100 days		1080.0		13.7		785.6		841.7
200 days		1084.9		14.0		794.2		816.5
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)	-2	16	0	32	7	20	9	33
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

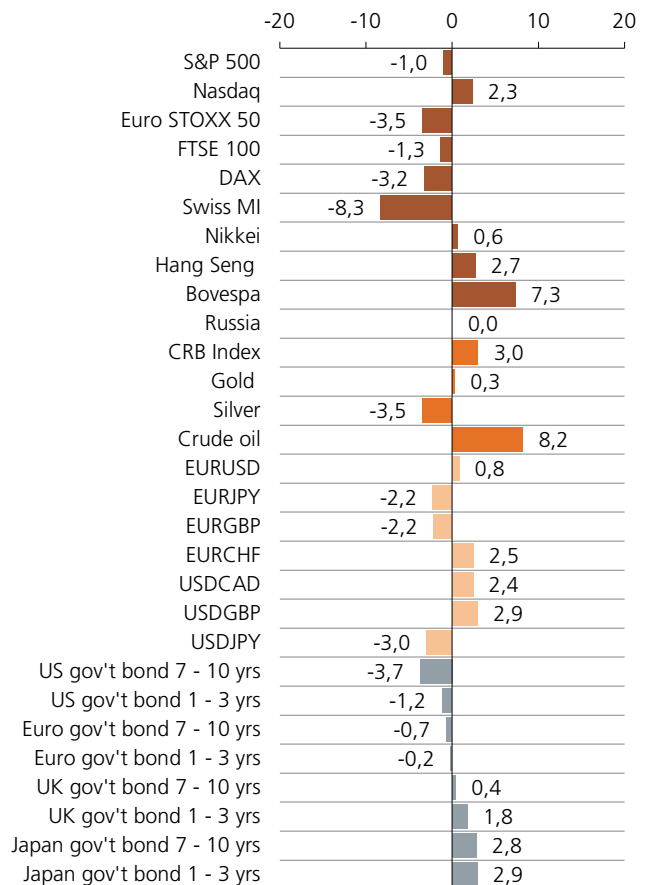
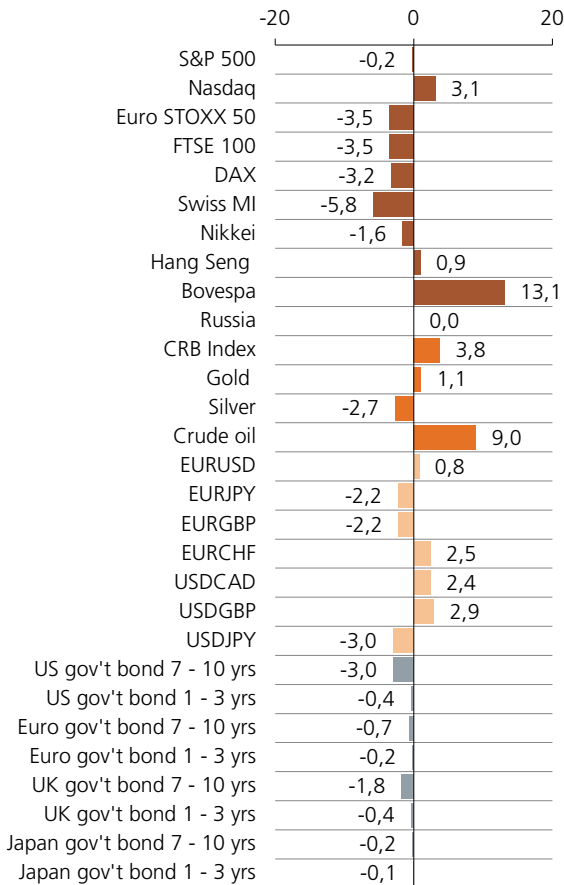


Source: Thomson Financial.

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
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
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

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: 27 April 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/infoteh/marktreport/>

Degussa 
GOLD UND SILBER.

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