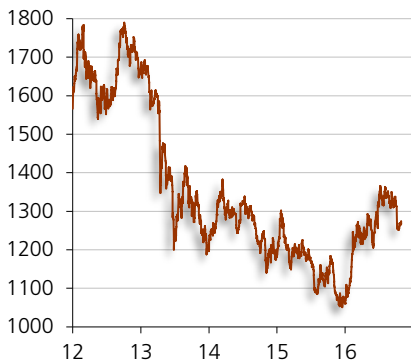


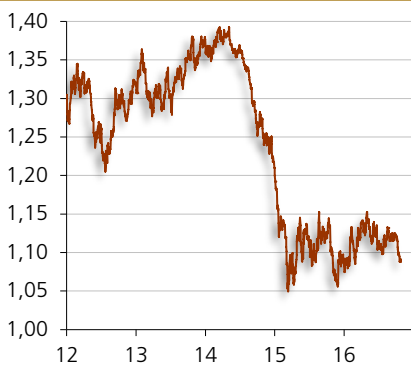
USD per ounce of gold



USD per ounce of silver



EURUSD



Source: Bloomberg.

Precious metals prices				
	Actual (spot)	Change against (in percent):		
		2 W	3 M	12 M
I. In US-dollar				
Gold	1,267.1	0.8	-6.2	10.9
Silver	17.6	0.3	-13.4	13.2
Platinum	967.8	0.0	-15.7	-1.8
Palladium	615.5	-8.1	-13.3	-9.1
II. In euro				
Gold	1,160.9	3.4	-4.0	11.9
Silver	16.1	3.4	-11.0	14.1
Platinum	886.8	2.8	-13.6	-1.1
Palladium	563.5	-5.7	-11.2	-8.3
III. Gold price in other currencies				
JPY	133,387.1	3.1	-3.3	-3.2
CNY	8,588.7	2.5	-3.9	19.1
GBP	1,040.8	3.0	1.9	40.6
INR	84,684.9	1.9	-5.9	13.4
RUB	79,723.8	2.2	-10.4	9.9

Source: Bloomberg; own calculations.

OUR TOP ISSUES

This is a short summary of our fortnightly Degussa Marktreport.

US Presidential Elections and the Price of Gold

History teaches a lesson about gold prices shortly before and after presidential elections in the USA: There is no pattern to be discerned in the fluctuations.

Mounting Pressure on the Euro

ECB monetary policy is on the verge of debasing the euro's internal and external buying power; gold remains an appealing option for euro-zone savers.

Excess Returns: Possible, But Elusive

Investors who are concerned about the consequences of unbacked paper money should aim for excess returns rather than market returns.

The Low Interest Rate Trap

As central banks continue to put the squeeze on interest rates, returns are heading into negative territory and making it hard to find a way out of that trap.

Precious Metal Market

Ongoing demand for gold and silver Exchange Traded Funds (ETFs) supports precious metal prices.

Gold price per ounce

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

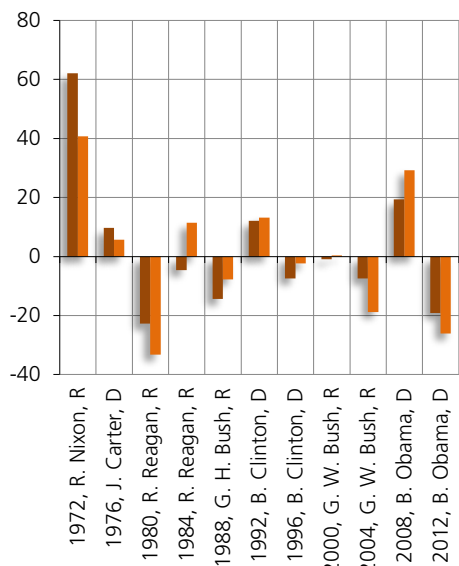
January 2007 to October 2016



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.

How the price of gold fared before and after US presidential elections

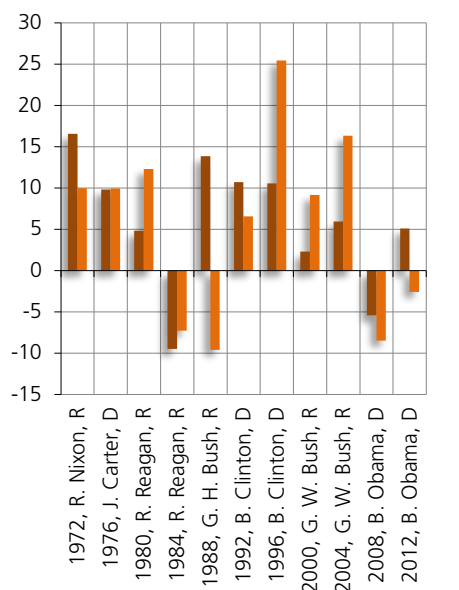
Change in the price of gold (USD/oz) in percent



Source: Thomson Financial; own calculations

How the stock market fared before and after US presidential elections

Changes in the US stock market index S&P 500 in percent



Source: Thomson Financial; own calculations

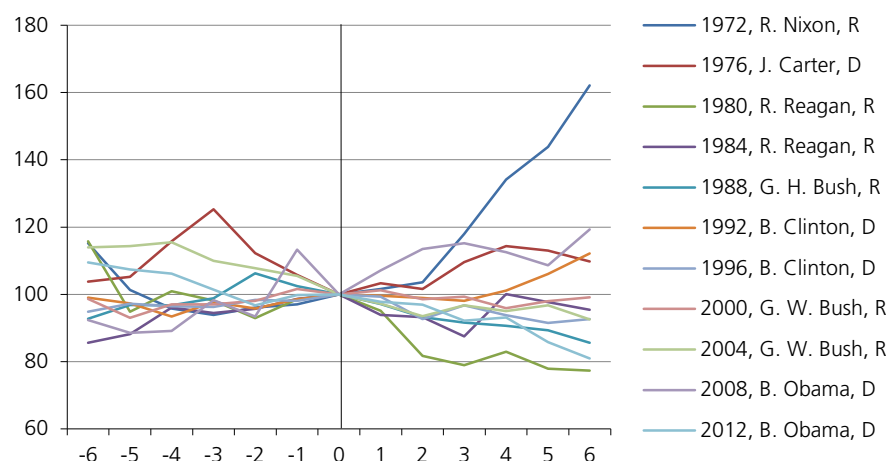
US Presidential Elections and the Price of Gold

History teaches a lesson about gold prices shortly before and after presidential elections in the USA: There is no pattern to be discerned in the fluctuations.

The United States of America will elect a new president on 8 November. Investors would gladly peer into a crystal ball to see what consequences the outcome will have on financial and commodity markets so they could adjust their strategies accordingly. And those with a vested interest in precious metals would be particularly keen to learn how the price of gold will be affected. We don't have a crystal ball to see the future, but we can look back to learn that industrial demand, interest rates, the amount of money in circulation, and pivotal economic and political developments often affect the price of gold. History tells us this story: The outcome of the US presidential election merely has an indirect impact on prices. It affects the factors that ultimately determine supply and demand in the market for gold.

Gold prices in the times of US presidential elections

Gold price (USD/oz) six months before and after US presidential elections

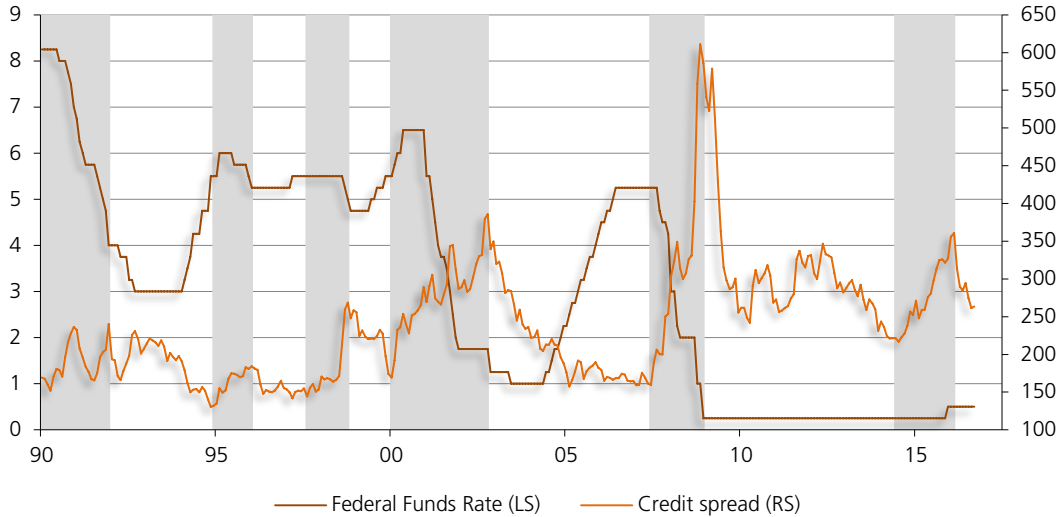


Source: Bloomberg; own calculations. Series are indexed, taking the value of 100 in November of the respective election year. The horizontal axis shows the number of months before and after the election month (with the latter represented by the value of 0)
D = Democrats, R = Republicans

An examination of the facts and figures reveals no discernible patterns in the gold price shortly before and after past US presidential elections. The pre-/post-election outliers in 2008 and 2012 are largely attributable to developments on international commodity markets. One explanation for this may be that the lines between Democrats and Republicans' economic and foreign policies have blurred in recent decades, so there has been more continuity than disruption in American policies as the opposing party's candidate took up residence in the Oval Office. All that may change with this election. Donald J. Trump trails Hillary D. Rodham Clinton in the polls. However, if he defies the odds to clinch the presidency, US economic and foreign policies may get a makeover that is more invasive than cosmetic. In that case, there is likely to be some re-pricing in asset markets, at least in the short term. If we follow this logic to its conclusion, a surprise Trump triumph could give the price of gold quite a lift, while a Clinton victory is more likely to tip the scales slightly in the other direction. But whatever the outcome, we expect the gold price's rally, underway since the beginning of the year, to continue on its upward trajectory.

Selected market developments

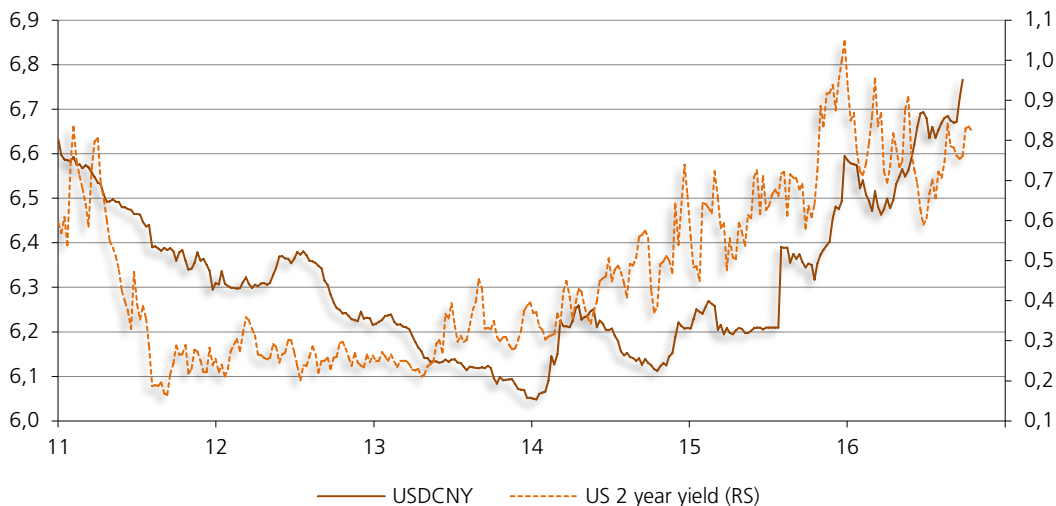
1 Federal Funds Rate in percent and credit spread in basis points*



► Credit spreads have narrowed lately, paving the way towards another Fed rate hike (in November or December).

Source: Thomson Financial; own calculations. *Shaded areas: Periods of rising credit spreads (in which the Fed typically lowered borrowing costs). *Corporate BAA minus 10 year Treasury yield

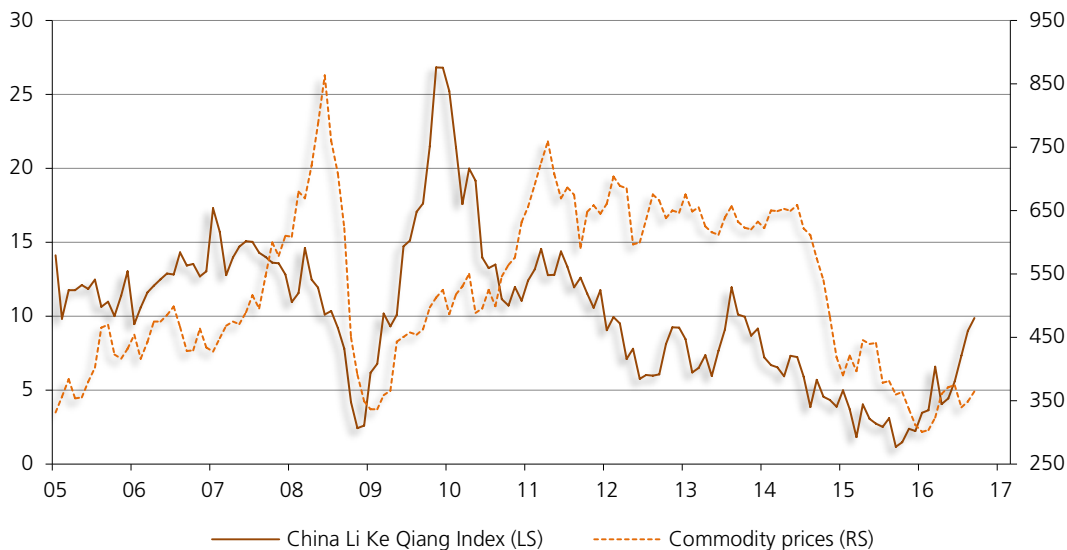
2 Gold price (USD/oz) and interest rates, nominal and real*, in percent



► Rising short-term US yields put the Chinese renminbi exchange rate under pressure. Further devaluation of the renminbi cannot be ruled out, and may result in market turmoil.

Source: Thomson Financial

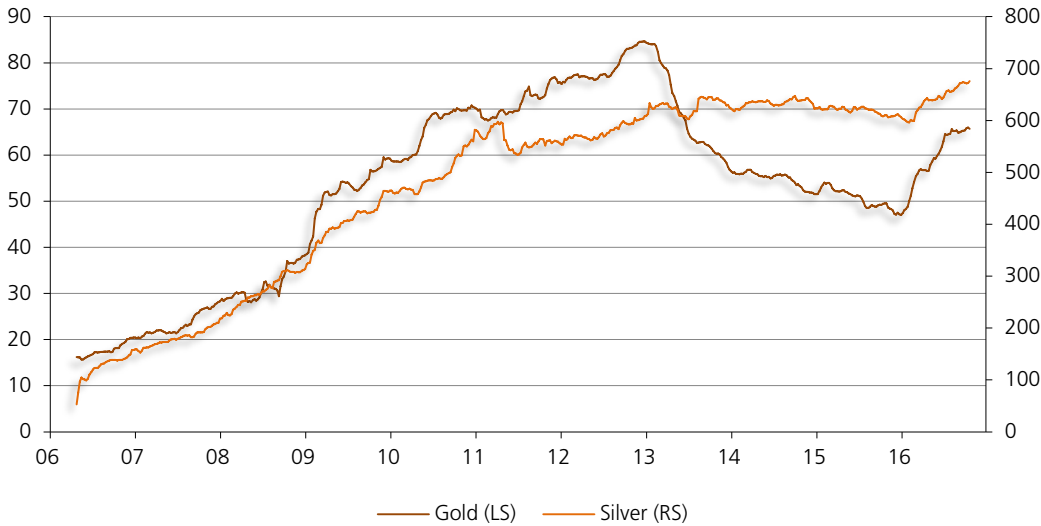
3 China's business cycle indicator and S&P commodity price index



► The vital signs of China's economy are signaling a recovery, which should eventually boost commodity prices.

Source: Thomson Financial

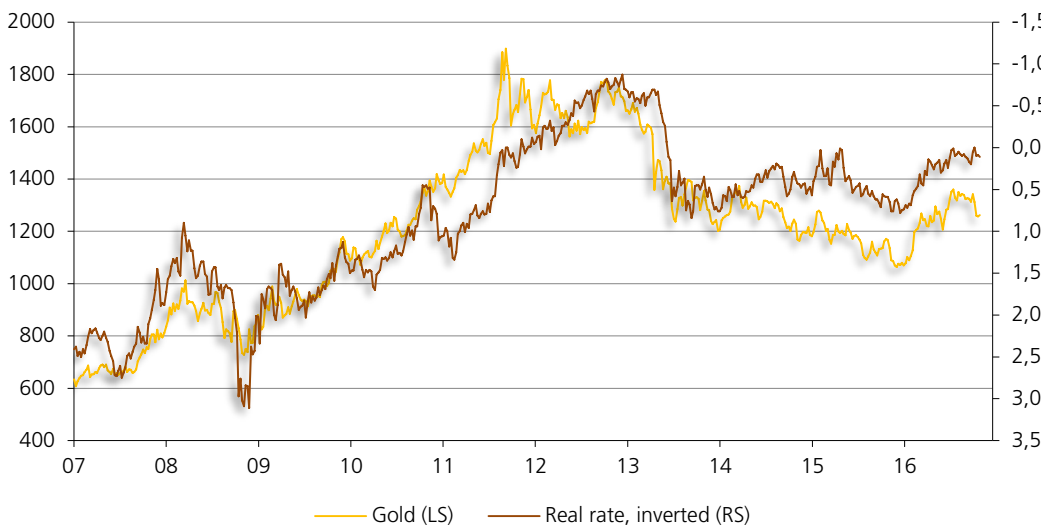
4 Gold and silver Exchange Traded Funds (ETFs), million ounces



► Demand for gold and silver ETFs has been rising sharply since the start of this year.

Source: Bloomberg

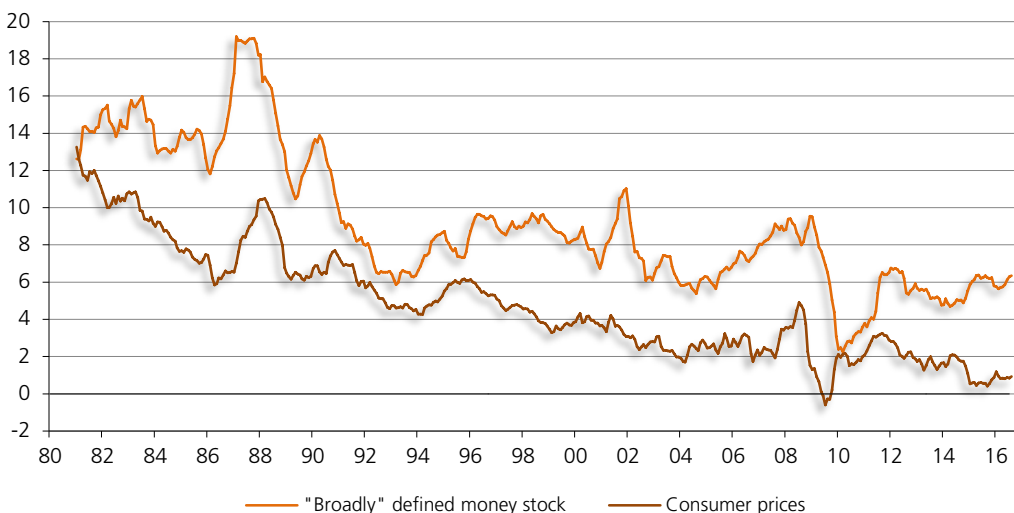
5 Gold price (USD/oz) and real US 10-year interest rates in percent*



► Real interest rates in the USA have continued to bolster the price of gold.

Source: Thomson Financial.
*Calculated from inflation indexed gov't bonds

6 Quantity of money and consumer prices in the OECD, y/y in percent



► Worldwide monetary expansion points towards higher consumer prices going forward.

Source: Thomson Financial; own calculations.

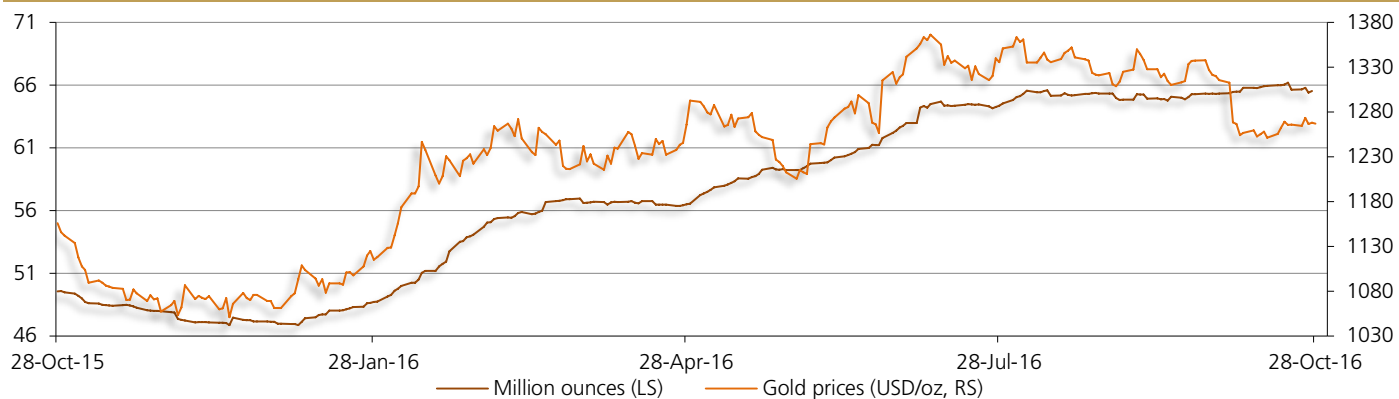
Precious metals prices, actual and projections (per ounce)

In US-dollar								
	Gold		Silver		Platinum		Palladium	
I. Actual	1,267.2		17.6		968.1		615.2	
II. Gliding averages								
5 days	1,267.7		17.6		960.4		623.3	
10 days	1,266.0		17.6		949.5		628.8	
20 days	1,264.4		17.6		955.5		647.8	
50 days	1,301.2		18.5		1,015.4		670.4	
100 days	1,315.3		18.9		1,046.8		655.3	
200 days	1,273.1		17.4		1,011.0		604.4	
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	1,163.4		16.2		888.8		564.8	
II. Gliding averages								
5 days	1,163.9		16.2		881.8		572.3	
10 days	1,157.9		16.1		868.5		575.1	
20 days	1,145.2		16.0		865.4		586.5	
50 days	1,167.0		16.6		910.5		601.2	
100 days	1,180.4		17.0		939.4		588.1	
200 days	1,139.5		15.6		904.7		541.0	
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	

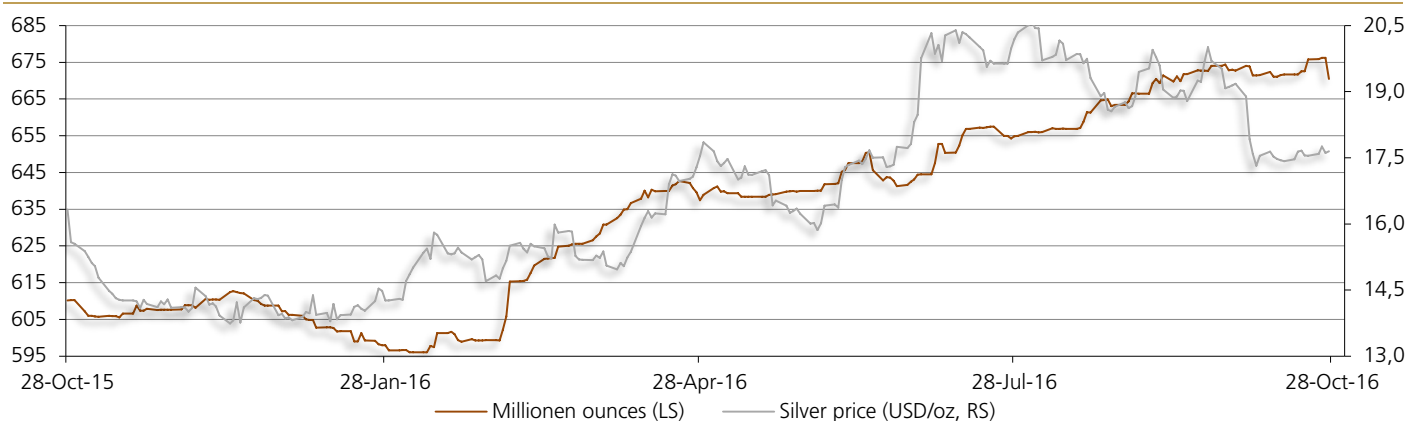
Source: Bloomberg; own calculations. Projections of Degussa Goldhandel GmbH (end of quarter); numbers are rounded.

Precious metals prices and ETF holdings

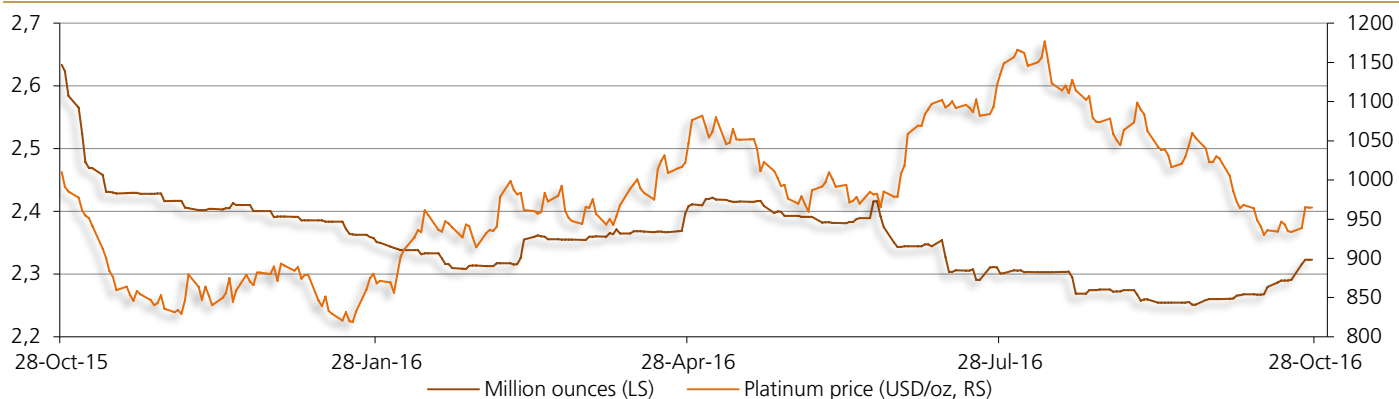
Gold ETFs (million ounces) und gold price (USD/oz)



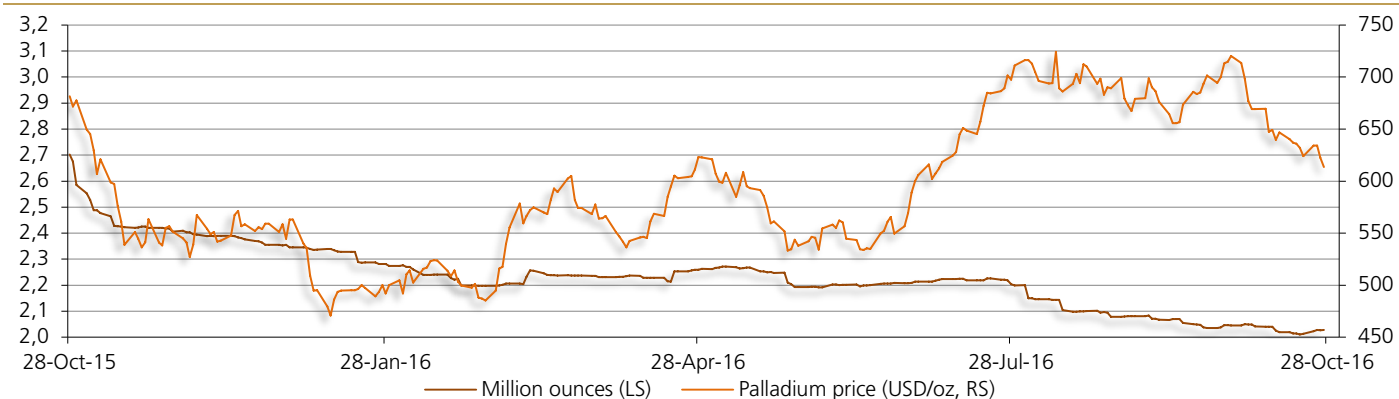
Silver ETFs (million ounces) and silver price (USD/oz)



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



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



Source: 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	49.57	-2.3	13.1	-2.1	2.8	-11.2	31.7	37.6
Brent crude oil	50.37	-3.0	13.0	-1.4	3.2	-18.4	31.3	36.2
Gasoline	148.18	-0.8	21.0	6.4	6.9	-3.7	27.1	34.9
Heating oil	155.95	-0.5	15.1	1.0	6.9	-14.9	28.9	33.8
Gas oil	462.50	-0.1	17.3	0.8	6.1	...	29.3	30.1
Natural gas	3.07	-12.4	-7.6	-7.5	1.4	-2.9	31.6	27.4
II. Agriculture								
Com	357.00	0.8	4.2	-3.8	-9.7	-10.6	22.9	24.4
Wheat	415.50	-1.3	-4.6	-10.7	-19.5	-20.0	26.6	24.2
Soy beans	1027.75	5.9	2.5	-10.5	1.9	15.5	16.1	26.4
Coffee	165.25	6.3	10.5	11.4	31.4	21.0	25.1	26.4
Sugar	22.53	-1.7	15.9	10.3	32.4	76.3	22.1	28.5
Cotton	69.62	-1.3	-6.0	8.5	11.0	10.8	22.1	24.6
III. Industrial metals								
Aluminum	1699.00	1.4	3.3	3.0	1.2	...	15.6	15.0
Copper	4790.00	2.4	-2.7	-1.1	-5.1	...	14.3	15.1
Zinc	2364.00	4.7	5.4	12.3	21.9	...	21.4	19.7
Lead	2046.00	2.4	12.2	14.4	13.4	...	23.3	20.0
Iron ore	61.63	0.2	5.7	15.0	-6.3	9.5
IV. Precious metals								
Gold	1267.34	1.3	-6.2	-3.7	-2.0	11.8	12.1	11.7
Silver	17.60	1.0	-13.4	-4.7	-1.4	20.2	22.7	25.7
Platinum	967.93	3.4	-15.7	-4.9	-10.1	-4.2	18.5	20.4
Palladium	615.40	-4.7	-13.3	3.1	-1.2	2.3	22.5	27.2
V. Ratios								
Gold-silver	72.00	0.1	8.1	1.1	-0.7	-7.0	12.9	17.1
Gold-platinum	1.31	-2.3	11.3	1.3	9.1	16.7	14.4	15.0
Gold-palladium	2.06	6.5	8.3	-6.5	-0.1	9.3	23.2	25.3
Palladium-platinum	0.64	-8.2	2.8	8.4	9.2	6.7	19.7	20.3

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-Dollar

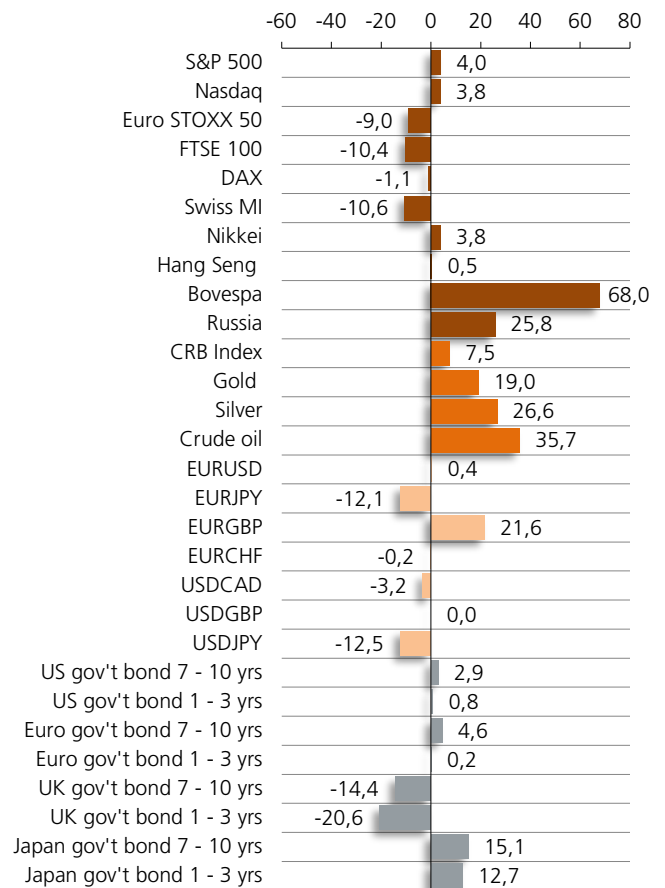
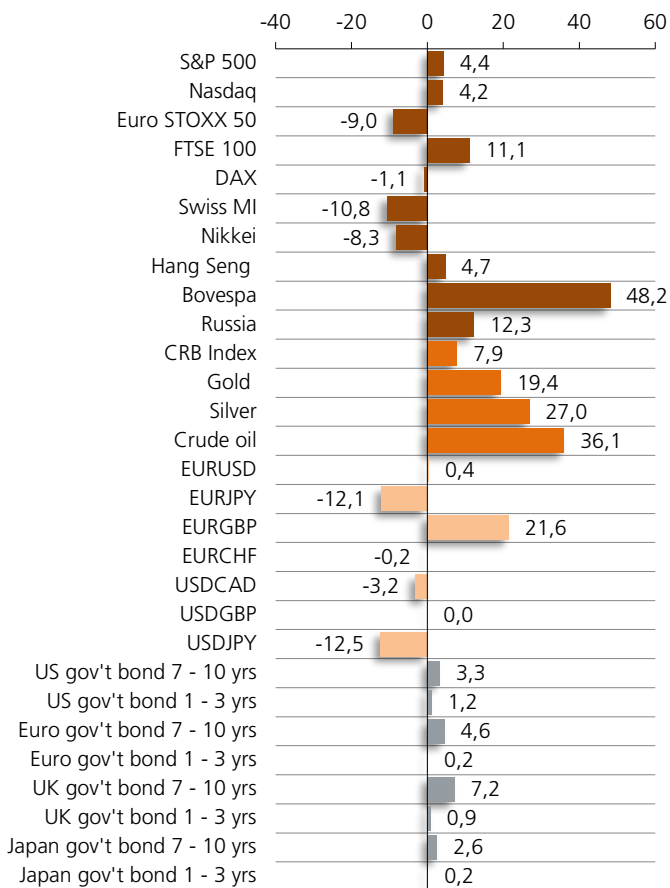


Source: Bloomberg.

Performance of stocks, commodities, FX and bonds

(a) In national currencies

(b) In euro



Source: Bloomberg; own calculations.

Articles in earlier issues of the *Degussa Market Report*

Issue	Content
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
2 September 2016	No return to "normal" interest rates
19 August 2016	Debt Monetized End 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	US Fed wants to raise rates further - investors should cling to gold and stocks
27 May 2016	The Illusion of Central Bank Independence and the Consequence for the Gold Price
13 May 2016	The Fight Against "Secular Stagnation" and What It Means for Gold and Silver Prices
29 April 2016	US dollar 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'

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

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