

## USD per ounce of gold



## USD per ounce of silver



## EURUSD



Source: Thomson Financial; graphs by Degussa.

### Precious metals prices

	Actual (spot)	Change against (in percent):		
		2 W	3 M	12 M
<b>I. In US-dollar</b>				
Gold	1,273.3	-1.4	-0.7	-3.2
Silver	14.8	-1.6	-4.1	-9.0
Platinum	891.4	-0.4	12.6	-1.3
Palladium	1,384.5	1.1	9.8	43.5
<b>II. In euro</b>				
Gold	1,135.5	-1.4	1.6	4.3
Silver	13.2	-1.6	-1.7	-1.9
Platinum	794.9	-0.4	14.7	6.3
Palladium	1,235.0	1.1	11.9	54.6
<b>III. Gold price in other currencies</b>				
JPY	142,444.0	-1.3	1.4	-0.9
CNY	8,552.7	-1.4	-3.0	2.7
GBP	984.2	-0.6	-2.0	3.1
INR	88,913.0	1.9	-0.3	1.8
RUB	81,518.8	-3.3	-8.8	-1.5

Source: Thomson Financial; calculations by Degussa.

## OUR TOP ISSUES

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

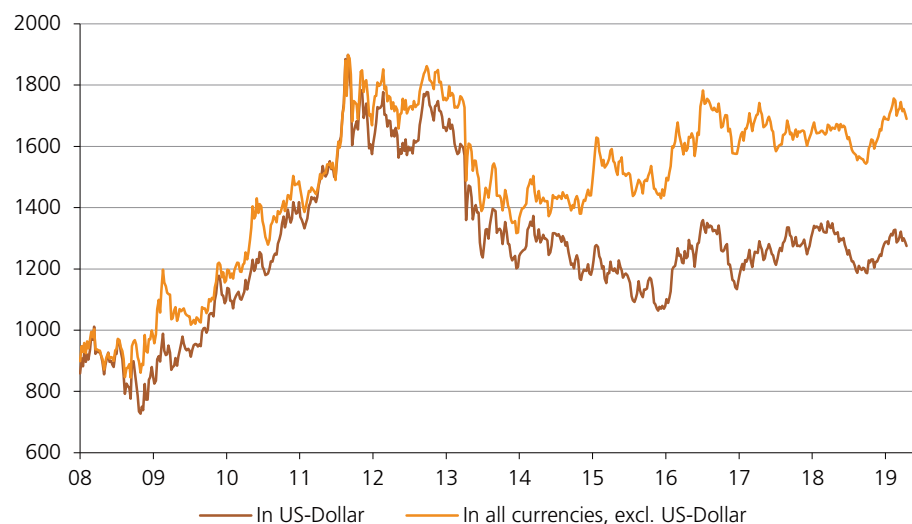
## A Sound Investment Rationale for Gold

Reading commentary released by the financial media, one might get the impression that gold has kind of 'lost its shine': While stock prices keep rising to ever higher levels, gold appears to move sideways at best, providing little inspiration for investors to increase their demand for the yellow metal. However, taking a closer look reveals a rather different picture.

To start with, gold is money. As such it competes with the official currencies as, for instance, US dollar, euro, Chinese renminbi, Japanese yen, British pound and the Swiss Franc. How did gold perform in relative terms? After the 'big correction' from 2011 to around 2014, the price of gold has been increasing in virtually all major currencies.

### 1 Rising gold price

Gold price in USD/oz and all other currencies excl. the US-dollar<sup>1)</sup>

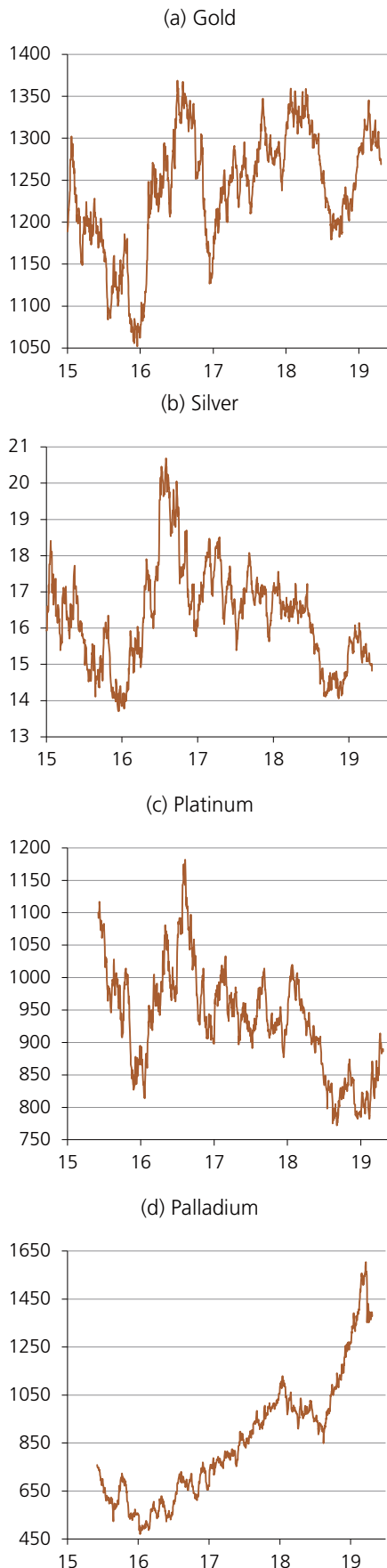


Source: Thomson Financial; calculations by Degussa.

In US dollar terms, the price of gold has increased by around 14 per cent in *inflation-adjusted terms* from January 2016 to March 2019. US-dollar deposits with a 3-month interest rate, in contrast, lost about 2 per cent in inflation-adjusted terms. In the period January 2014 to April 2019, the euro price of gold was up 24 per cent in inflation-adjusted terms, while euro deposits with a 3-month interest rate lost around 5 per cent in inflation-adjusted terms.

In other words: In recent years, gold has performed its store of wealth function much better than its 'currency competitors'. Again: It is important to note that gold does not compete directly with e.g. stocks and real estate. The latter represent assets, so their 'intrinsic value' typically goes up over time, thereby mak-

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



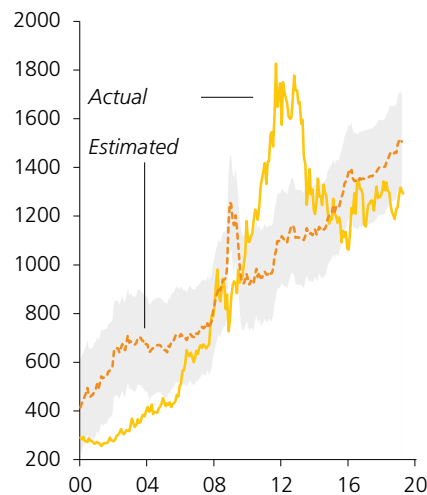
Source: Thomson Financial; graphs by Degussa.

ing them more valuable. Such assets are rather different in comparison with money when it comes to valuation and market price.

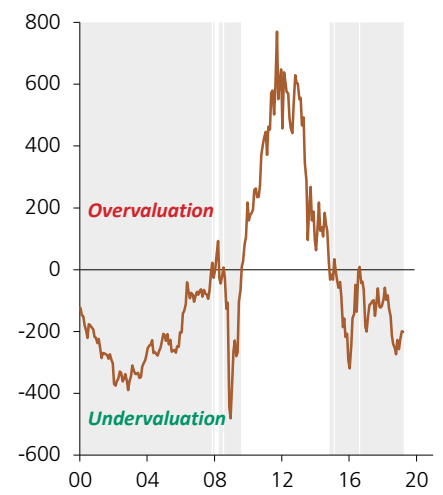
What is more, it seems that the price of gold has remained below potential. If one relates the price of gold to its long-term determinants such as, for example, the quantity of money, the real interest rate, and credit market conditions, we find that gold would currently have upside potential to around 1.500 USD/oz. However, it is hard to determine when this "price gap" might eventually close.

## 2 Gold appears to be cheap at current prices

(a) Gold price (USD/oz), actual and estimated<sup>(1)</sup>



(b) Deviation of actual gold price from its estimated level (USD/oz)



Source: Thomson Financial; calculations by Degussa.

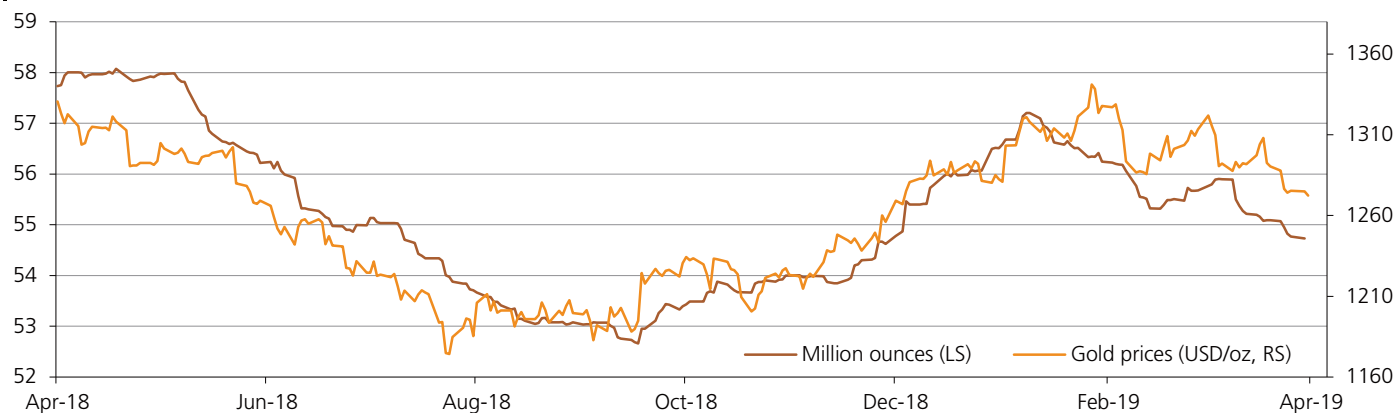
As we have pointed to in our last **Degussa Market Report on 11 April 2019**, central banks have dulled investor risk aversion. As a result, the demand for gold as portfolio insurance has remained subdued. But is this the end of the story? Most likely not. Sound understanding of economics would tell us that central banks' monetary policy of keeping interest rates at ultra-low levels must cause problems.

A policy of artificially suppressed interest rates can, in the short-term, orchestrate a boom. However, such a boom will at some point turn into bust. Admittedly, one cannot say with any scientific accuracy when this will happen. For this very reason, one can make a case for gold as portfolio insurance – especially so if gold can be bought at a reasonably low price.

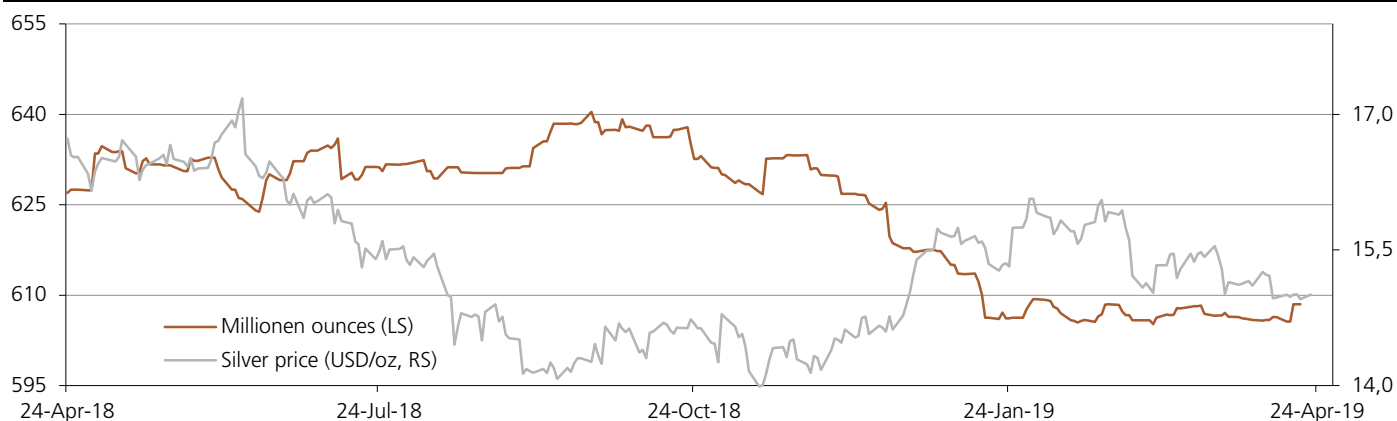
In times of crisis, gold may even help to increase the investor's portfolio return: If and when the price of gold goes up, expensive gold can be converted into attractive assets trading at then-suppressed prices. That said, one does not have to be 'gold bug' to pay attention to gold. Sound investment rationale suffices.

## Precious metals prices and ETF holdings

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



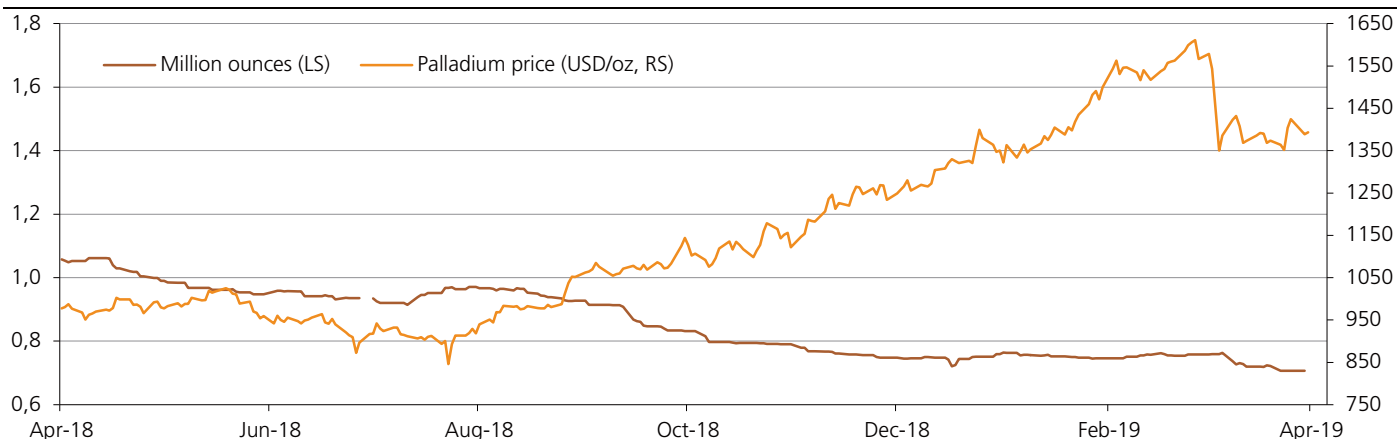
### Silver ETFs (million ounces) and silver price (USD/oz)



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



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



Source: Thomson Financial; graphs by Degussa.

## Precious metals prices

### In US-dollar

	Gold		Silver		Platinum		Palladium	
I. Actual	1273.4		14.8		891.4		1383.8	
II. Gliding averages								
5 days	1273.6		15.0		888.4		1386.6	
10 days	1282.8		15.0		890.1		1379.1	
20 days	1289.1		15.1		881.1		1387.5	
50 days	1302.0		15.4		853.4		1469.2	
100 days	1291.6		15.3		826.8		1388.1	
200 days	1251.5		15.0		824.2		1209.2	
III. Bandwidths for 2019	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>
	1223	1480	14.4	19.1	785	903	1204	1368
(1)	-4	16	-3	29	-12	1	-13	-1
IV. Annual averages								
2015	1163		15.7		1065		706	
2016	1242		17.0		985		617	
2017	1253		17.1		947		857	
2018	1268		15.8		880		1019	

### In Euro

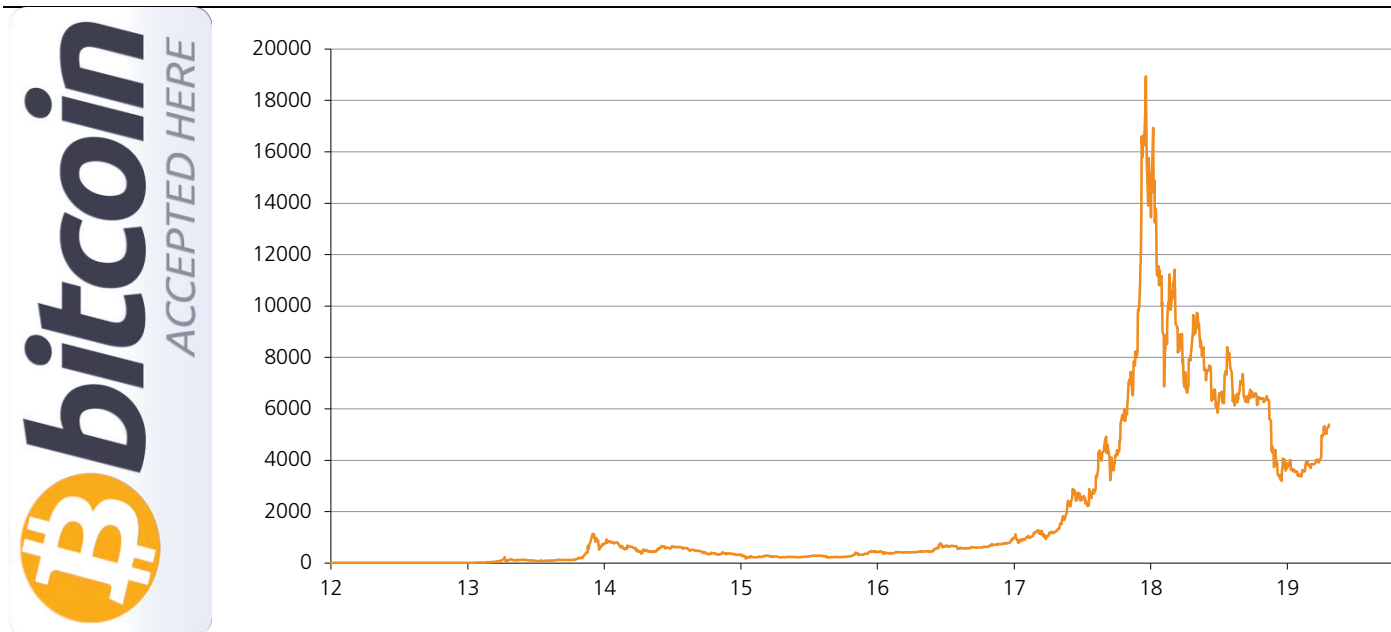
	Gold		Silver		Platinum		Palladium	
I. Actual	1135.7		13.2		795.0		1234.2	
II. Gliding averages								
5 days	1132.1		13.3		789.7		1232.5	
10 days	1138.2		13.3		789.8		1223.7	
20 days	1145.8		13.4		783.0		1233.2	
50 days	1153.1		13.6		755.9		1301.1	
100 days	1138.6		13.5		728.9		1223.9	
200 days	1094.9		13.1		720.9		1059.2	
III. Bandwidths for 2019	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>
	1098.8	1330.2	13.0	17.2	705.5	811.3	1081.7	1229.7
(1)	-3	17	-2	30	-11	2	-12	0
IV. Annual averages								
2015	1044		14		955		633	
2016	1120		15		888		557	
2017	1116		15		844		760	
2018	1072		13		743		863	

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

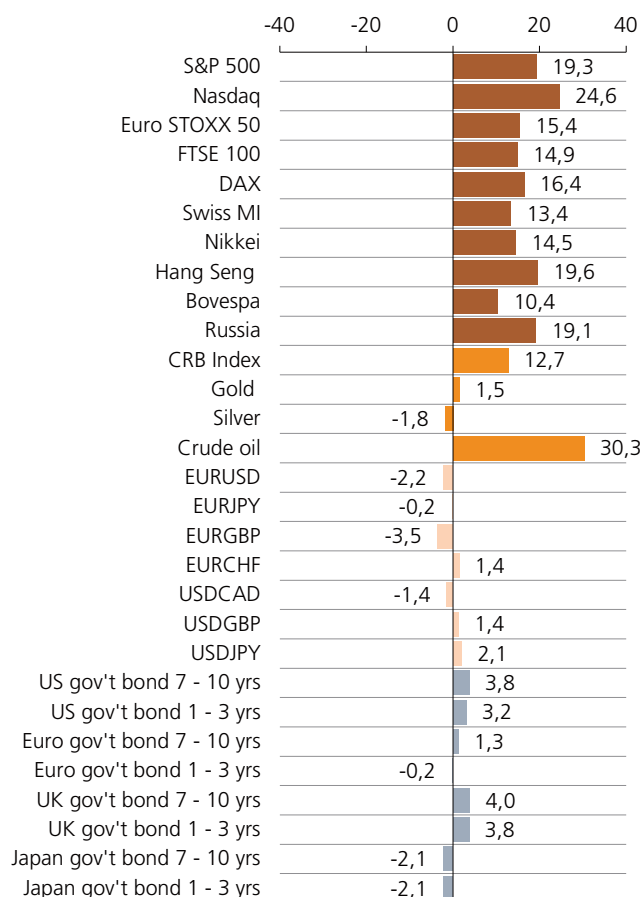
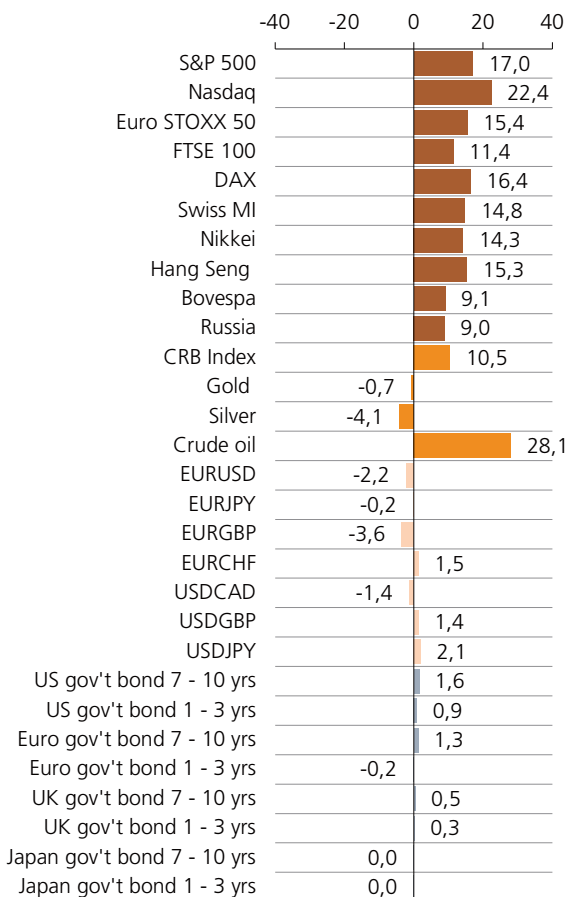


Source: Thomson Financial.

### Performance of stocks, commodities, FX and bonds

(a) In national currencies

(b) In euro



Source: Thomson Financial; calculations by Degussa.

### Articles in earlier issues of the *Degussa Market Report*

Issue	Content
25 April 2019	A Sound Investment Rationale for Gold
11 April 2019	Be Prepared For All Possibilities. The Case For Gold
28 March 2019	Sword of Damocles Over Asset Prices
14 March 2019	The Big Central Banks Increase the Case for Gold
28 February 2019	The Fed Takes Full Control of the Bond Market – And Raises The Value of Gold
14 February 2019	Everything You Always Wanted to Know About Karl Marx and Central Banking (*But Were Afraid To Ask)
1 February 2019	Pay Attention, Gold Investor: 'This Time is not Different'
17 January 2019	US Interest Rate Down, Price of Gold up
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

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[www.degussa-goldhandel.de/de/marktreport.aspx](http://www.degussa-goldhandel.de/de/marktreport.aspx).

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