

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
I. In US-dollar				
Gold	1.328.8	4.0	1.2	7.0
Silver	14.8	2.9	-5.1	-6.4
Platinum	811.4	-0.3	-6.7	-0.6
Palladium	1.325.5	1.2	-14.1	40.4
II. In euro				
Gold	1.180.4	3.1	2.2	10.7
Silver	13.2	2.0	-3.9	-3.3
Platinum	720.7	-1.1	-5.3	2.6
Palladium	1.177.0	0.1	-13.2	44.8
III. Gold price in other currencies				
JPY	143.594.0	2.1	-1.8	4.3
CNY	9.178.5	3.9	4.5	10.9
GBP	1.044.0	4.0	5.5	10.5
INR	92.172.0	1.9	-0.9	8.0
RUB	86.666.6	4.8	0.1	10.1

Source: Thomson Financial; calculations by Degussa.

OUR TOP ISSUES

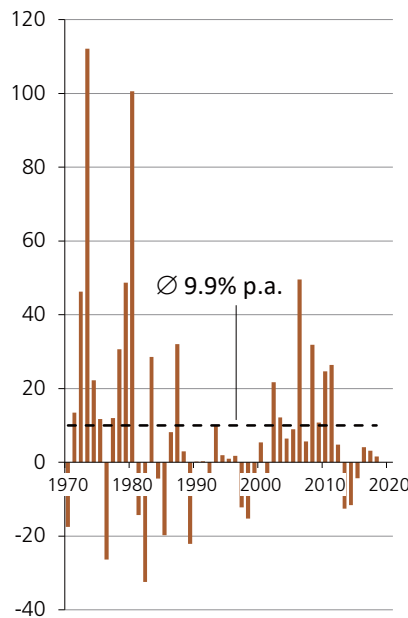
This is a short summary of our fortnightly *Degussa Marktreport*.

Gold Outshines The US Dollar

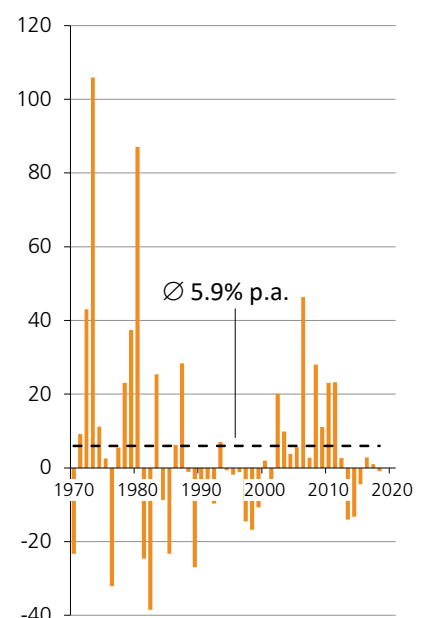
I always find it quite surprising that many people do not have a proper idea about the *value performance of gold*. So let's take a closer look at it. In the period 1970 to 2018, for instance, the annual increase in the US dollar price of gold (per ounce) was 9.9 per cent on average. Subtracting the annual increase in consumer prices (which was around 4 per cent per annum on average), the *real* increase in the price of gold was 5.9 per cent per year on average. That said, gold's long-term value performance looks pretty good. But how does it compare with its major competitor, the US dollar?

1 On the performance of gold

(a) Annual gold price changes (USD/oz) in percent, nominal terms



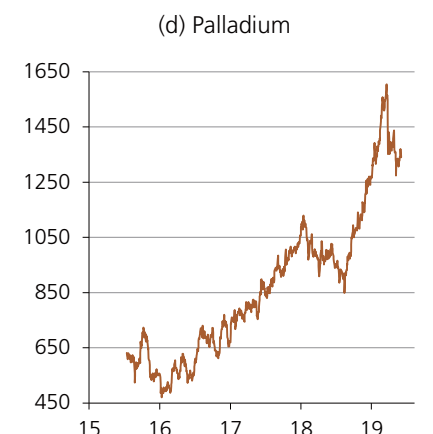
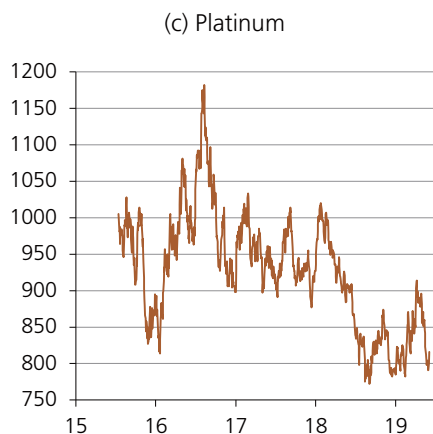
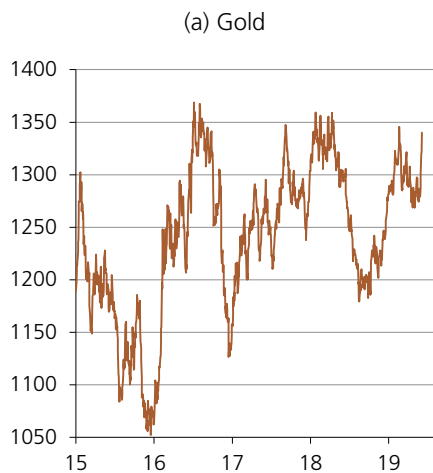
(b) Annual gold price changes (USD/oz) in percent, real (inflation-adjusted) terms



Source: Thomson Financial; calculations by Degussa.

If you had held 1 US dollar in cash, your purchasing power would have dropped by around 85 per cent from 1970 to 2018. However, this might not be a fair comparison. For holding US dollar in bank accounts gave you an interest rate. So what did you earn if you had held, say, a US dollar bank deposit with a 3 month maturity? The answer: 1 US dollar would have grown (compounded) into 8.6 US dollar. The return of your Greenback holdings (before tax) would have been 4.6 per cent per year on average – which is only slightly higher than average inflation and much lower than the real increase in the price of gold.

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

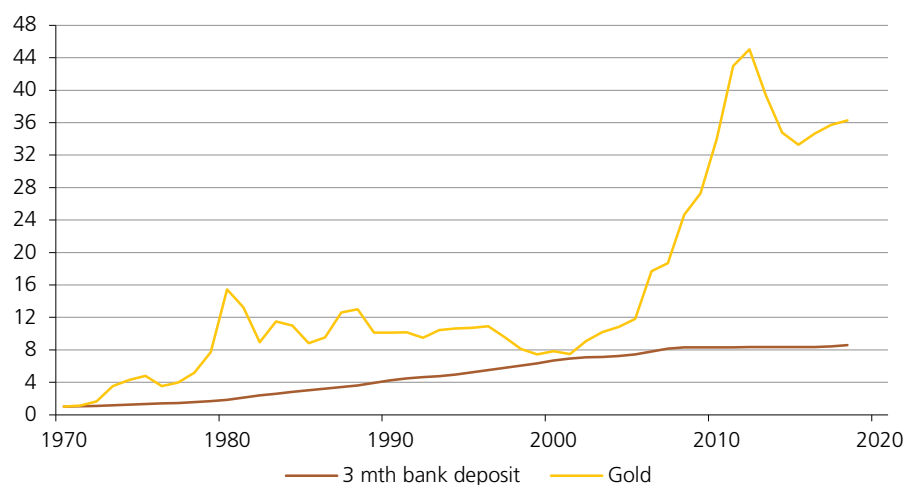


Source: Thomson Financial; graphs by Degussa.

So yes, gold has clearly outshined the US dollar in the long-term. In contrast to the US dollar, gold has not only proven its store of wealth function, it has also managed to *raise* its purchasing power over time. Ok, this may be water under the bridge. What about the future? Of course, the future is pretty much uncertain. But there are at least some factors which support the expectation that gold will continue to outperform the US dollar (or other unbacked paper currencies). Perhaps most important: There is no end in sight of the monetary policy of extreme low interest rates.

2 Holding US dollar versus holding gold

1 US dollar invested in bank deposits with a 3 month maturity vis-à-vis 1 US dollar exchanged for gold, 1970 to 2018



Source: Thomson Financial; calculations Degussa. Without tax effects.

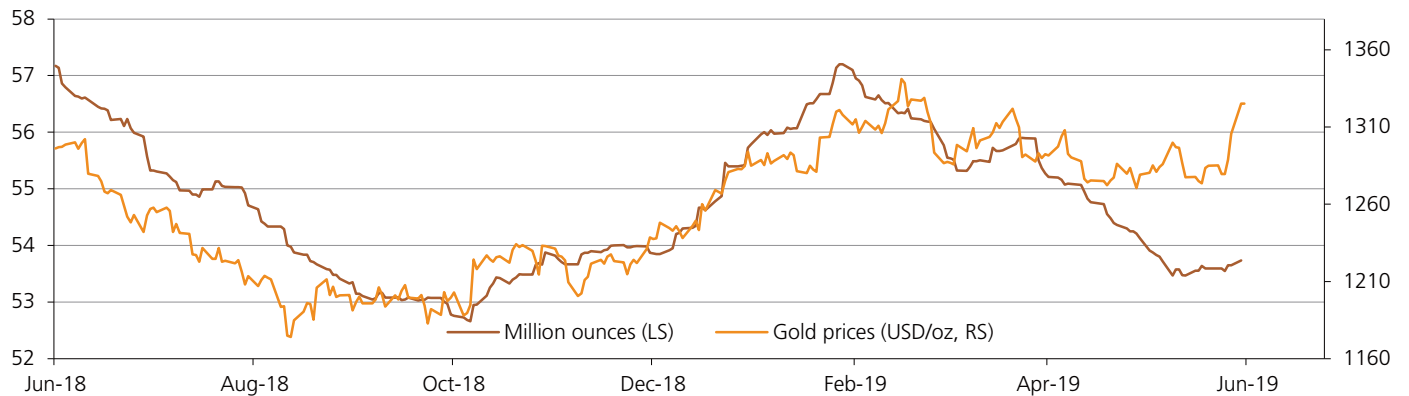
This will turn out to be a big support for gold, as the opportunity costs for holding gold decline; in the case of negative real interest rate there is actually a reward of holding gold (in terms of fending off permanent losses in the purchasing power of money). But gold is not only an effective insurance against the inflationary policies of central banks. It also provides the holder with an insurance against credit, or payment, defaults. This, in turn, should also be quite beneficial for the gold demand and therefore its price going forward.

Finally, the investor should take into account that the world's monetary system, which is built on the US dollar, has become quite vulnerable to any further financial or economic shocks. The very high debt load in many countries could make the economies come crashing down if and when growth and employment falter. That said, central banks, perhaps more than ever, will do everything in their power to prevent the next crisis – with lower interest rates, even negative interest rates, and running the printing press. In other words: The risk profile is clearly skewed towards a continuation of the debasement of unbacked paper currencies.

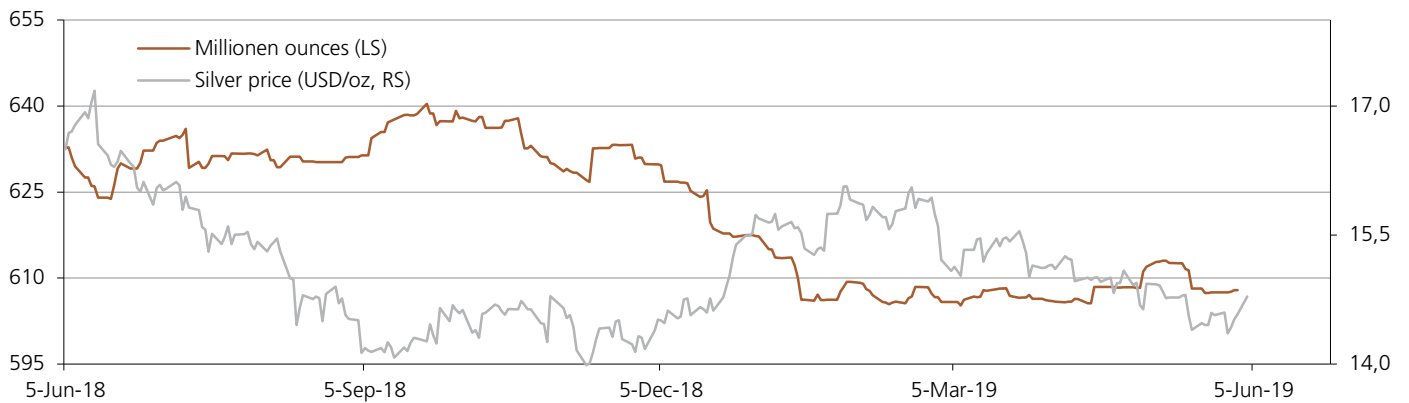
In times of a world-wide currency crisis (a rather gloomy but not impossible scenario) investors can be expected to increase their demand for US dollar at the expense of other unbacked paper currencies. However, it is also very likely that gold would then be in high demand: Gold is insurance against the US dollar – which is, by the end of the day, an unbacked paper currency like any other, and it can be debased quite easily by central bank monetary policy. In fact, there is good reason to expect that gold's value performance in the years to come will match, perhaps even exceed, the one seen in the last 50 years.

Precious metals prices and ETF holdings

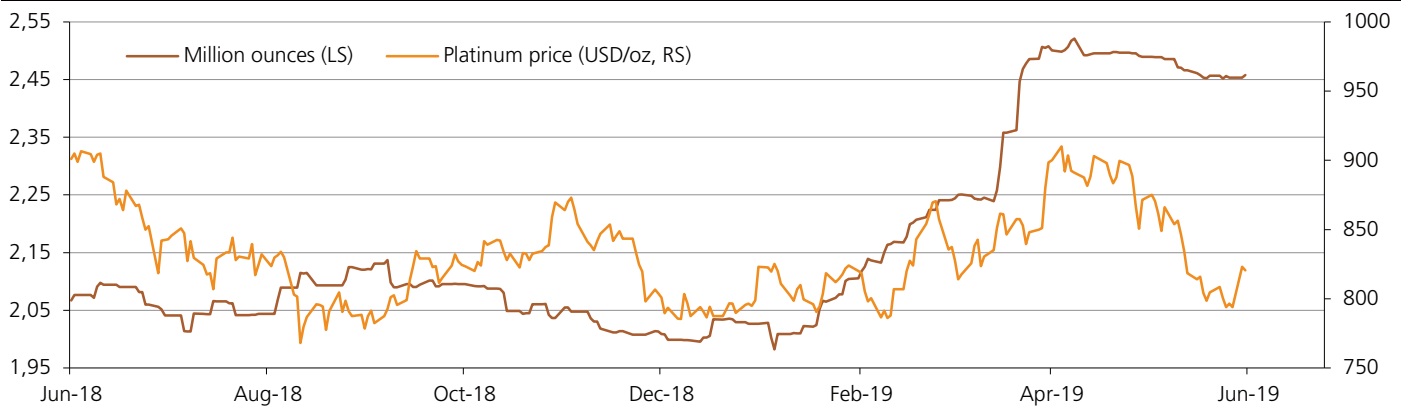
Gold ETFs (million ounces) und gold price (USD/oz)



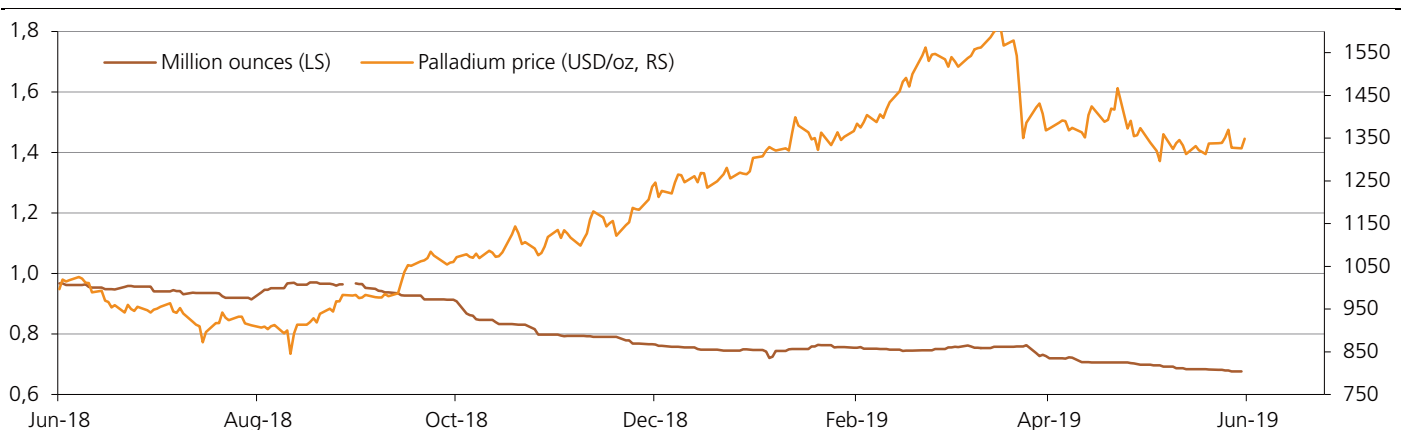
Silver ETFs (million ounces) and silver price (USD/oz)



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		1332.0		14.8		813.5		1329.2
II. Gliding averages								
5 days		1302.3		14.6		798.8		1349.2
10 days		1292.2		14.6		800.1		1336.4
20 days		1289.1		14.6		821.4		1327.0
50 days		1287.3		14.9		856.1		1362.4
100 days		1297.2		15.2		839.7		1411.0
200 days		1262.9		14.9		828.1		1274.2
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)	-8	11	-3	29	-3	11	-9	3
IV. Annual averages								
2015		1260		19.1		1382		800
2016		1163		15.7		1065		706
2017		1242		17.0		985		617
2018		1253		17.1		947		857

In Euro

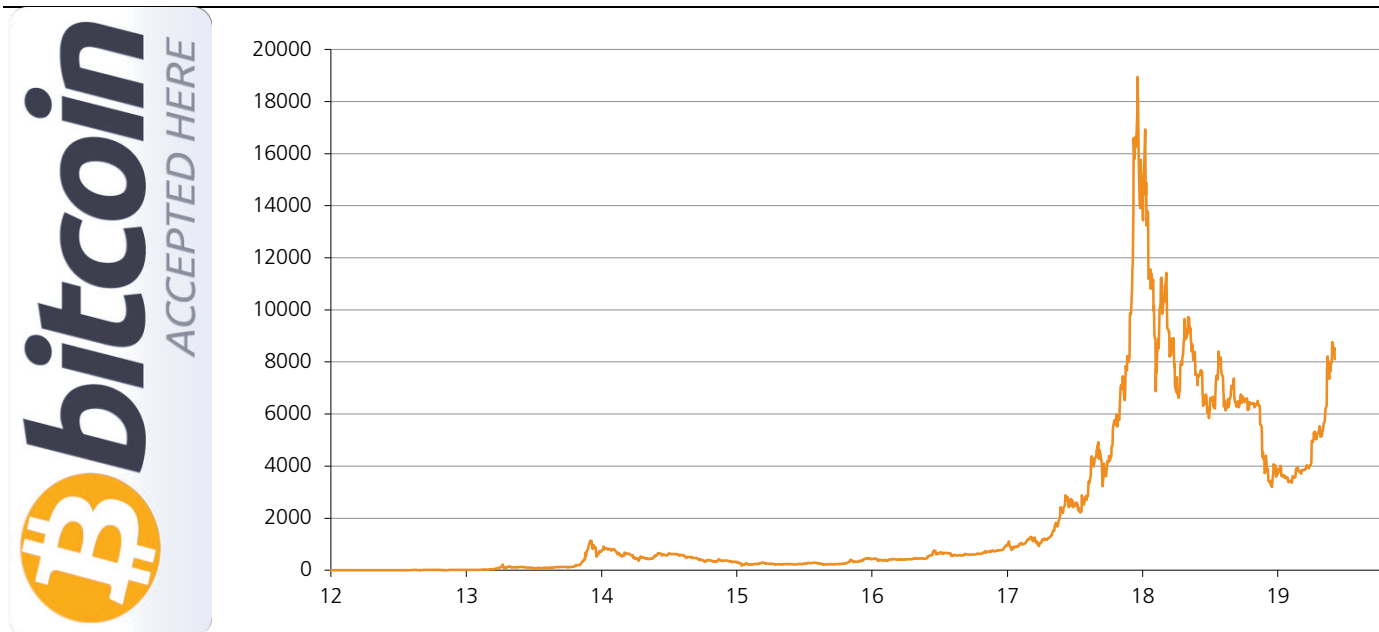
	Gold		Silver		Platinum		Palladium	
I. Actual		1182.8		13.2		722.4		1180.3
II. Gliding averages								
5 days		1165.9		13.1		715.1		1208.0
10 days		1156.6		13.0		716.2		1196.2
20 days		1152.3		13.1		734.2		1186.2
50 days		1148.0		13.3		763.4		1215.0
100 days		1150.2		13.5		744.6		1251.0
200 days		1110.6		13.1		728.2		1121.5
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>
	1067.5	1292.2	12.6	16.7	685.4	788.2	1050.9	1194.7
(1)	-10	9	-4	26	-5	9	-11	1
IV. Annual averages								
2015		945		14		1035		601
2016		1044		14		955		633
2017		1120		15		888		557
2018		1116		15		844		760

Source: Thomson Financial; calculations and estimates by Degussa.

(1) Estimated return against actual price in percent.

Bitcoin, performance of various asset classes

Bitcoin in US dollars

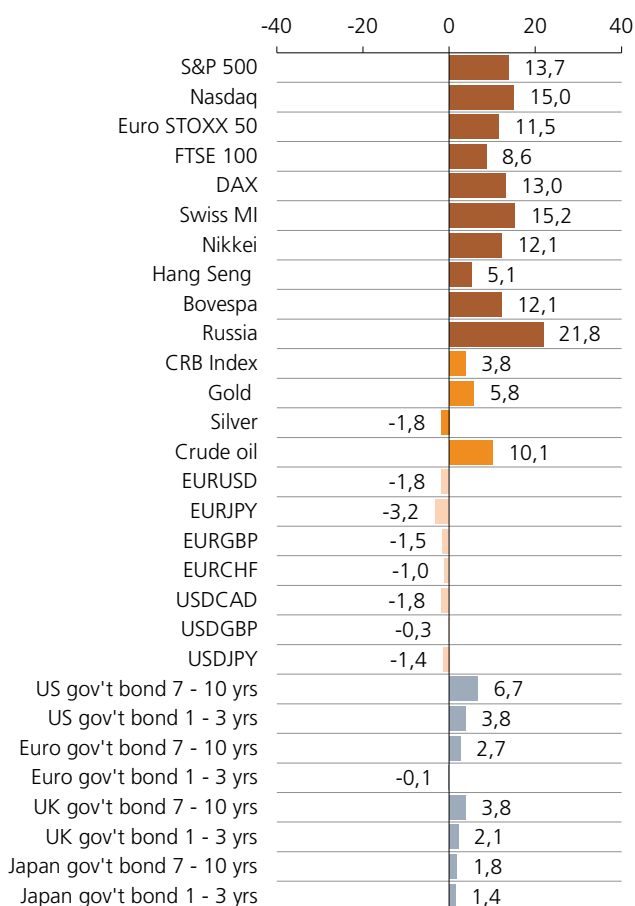
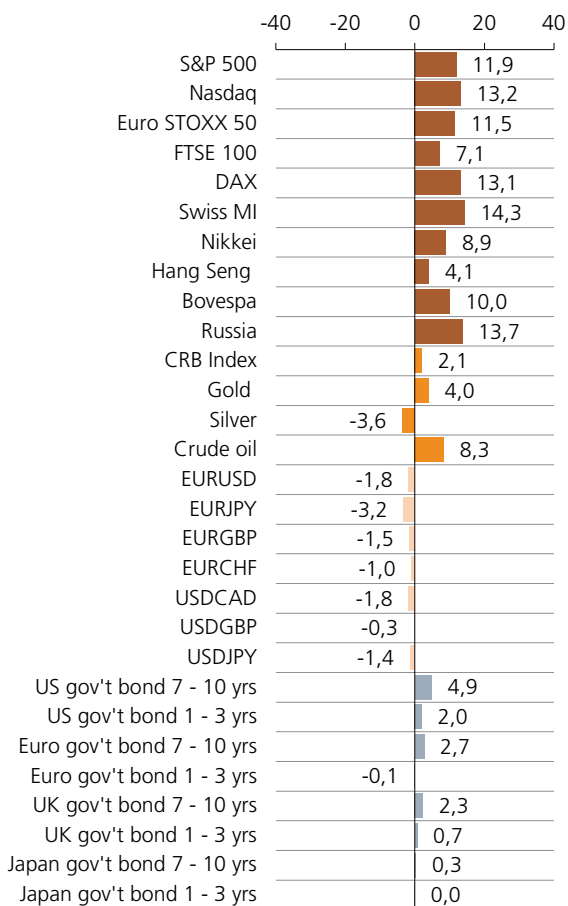


Source: Thomson Financial; graphic Degussa.

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
6 June 2019	Gold Outshines The US Dollar
23 May 2019	The Boom That Will Have It Coming
9 May 2019	The Crusade Against Risk
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

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