

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	1.492.6	-0.8	7.8	22.9
Silver	17.5	0.0	15.9	23.4
Platinum	914.4	4.3	10.2	9.4
Palladium	1.742.7	4.6	12.6	61.6
II. In euro				
Gold	1.341.6	-2.1	9.4	25.0
Silver	15.8	-1.3	17.7	25.4
Platinum	821.9	3.1	11.8	11.1
Palladium	1.566.0	3.2	14.2	64.0
III. Gold price in other currencies				
JPY	162.159.0	0.8	8.1	18.3
CNY	10.541.6	-2.0	11.2	24.5
GBP	1.157.2	-5.1	5.7	21.7
INR	105.558.9	1.9	10.7	17.6
RUB	95.403.0	-1.9	9.4	19.3

Source: Thomson Financial; calculations by Degussa.

OUR TOP ISSUE

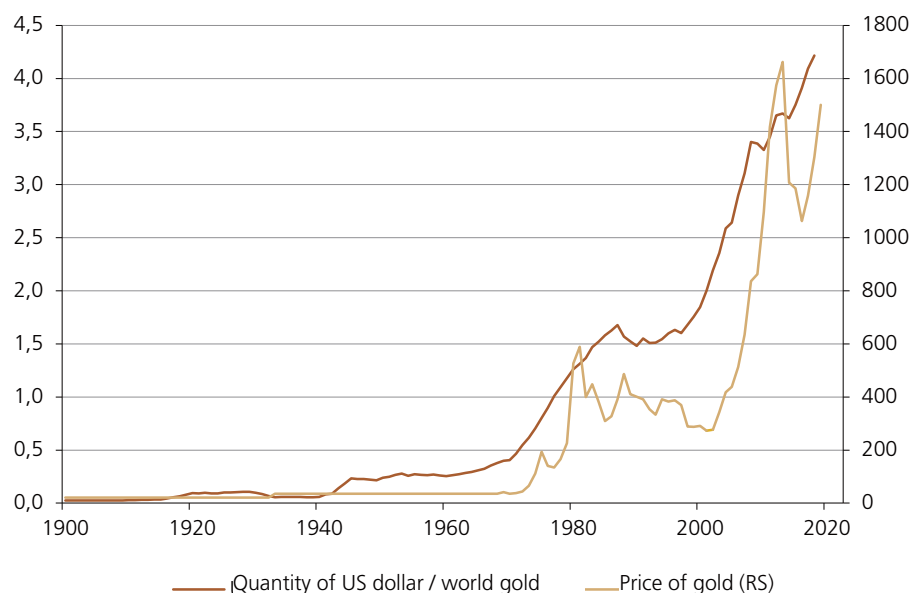
This is a short summary of our fortnightly **Degussa Marktreport**.

THE INFLATONARY SUPPLY OF UNBACKED US DOLLARS AND THE PRICE OF GOLD

Let us talk about the relation between the US dollar price of gold and the quantity of US dollar. In fact, one would think that it is, economically speaking, a rather straightforward relationship: All you need is to compare the supply of physical gold and the quantity of US dollar. If the increase in the quantity of US dollar exceeds the increase in the supply of gold, one would expect gold to become more expensive in US dollar terms (other things being equal); and if the increase in the supply of gold exceeds the increase in the quantity of US dollar, the gold price in US dollar terms should go down.

1 Generous US dollar supply drives gold price up

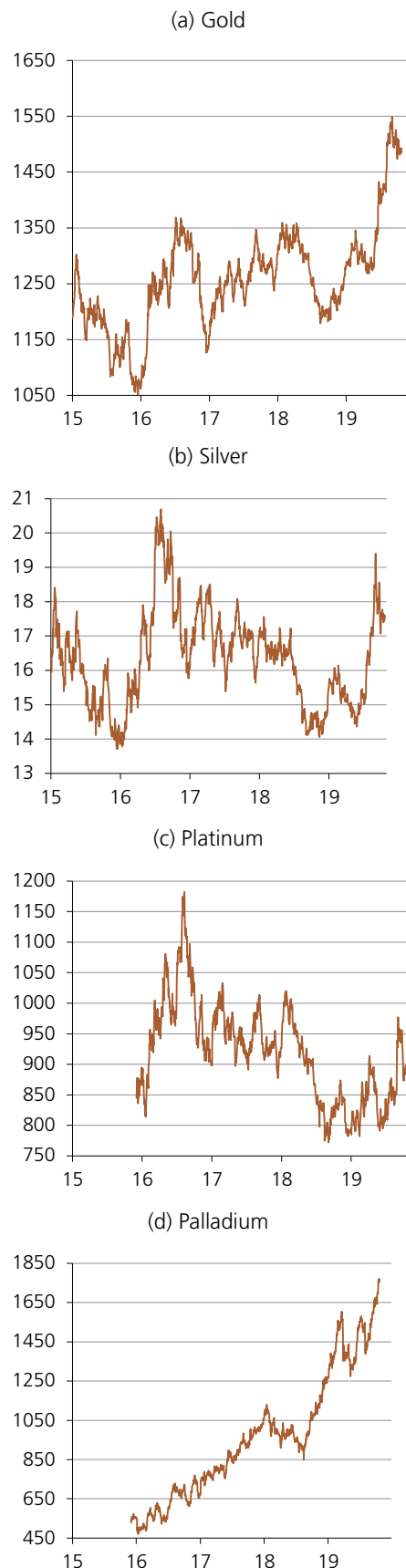
Quantity of US dollar relative to world gold and gold price (USD/oz)



Source: USGS, Federal Reserve of St. Louis; calculations Degussa. Series are indexed (1900 = 100).

In the period from 1900 to 2018, the increase in the quantity of US dollar was around 6.4 per cent per year on average (compound rate), while the increase in the physical supply of gold was just 1.8. This would suggest that, over time, the price of gold in US dollar terms has traded upwards. And indeed it has, as the chart above shows. Most notably, the price of gold has been (more or less) traded upwards since the early 1970s; before that the price of gold had been

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



Source: Thomson Financial; graphs by Degussa.

fixed vis-à-vis the US dollar (in other words: US dollar had been an equivalent to a fixed weight of physical gold).

The chart depicts the ratio between (i) the quantity of US dollar and the world's physical gold stock and (ii) the US dollar price of gold. As the chart indicates, the two series had a positive correlation since the early 1970s. In other words: The higher the quantity of US dollar relative to physical gold was, the higher was the gold price in US dollar terms. As noted earlier, this is precisely what one would expect. Moreover, it suggests that gold has remained closely associated with what is going on with the US dollar. Or, to be more precise: Investors continue to consider gold, even well after its "official demonetisation", as a form of money or at least as a reliable store of value.

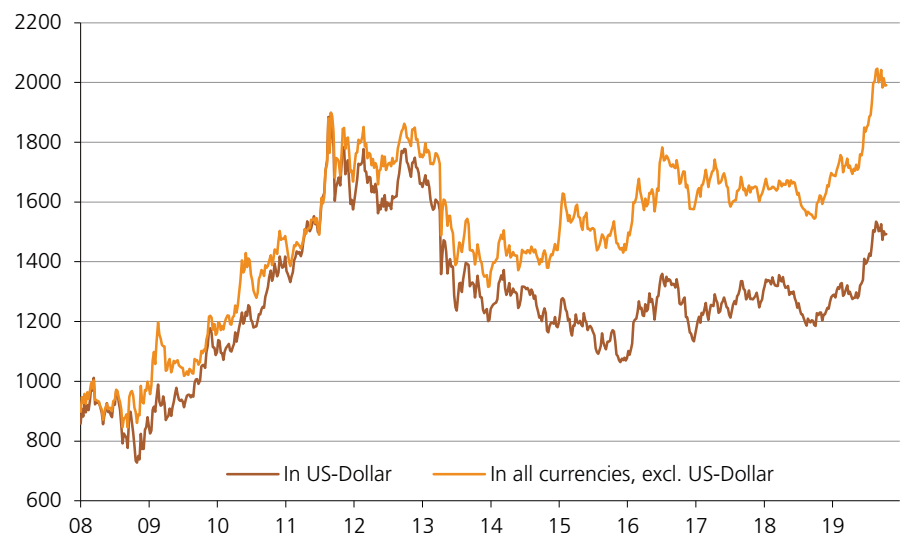
If the relationship between the quantity of US dollar and the supply of physical gold as depicted in the chart continues, there is a good chance for a further rise in the price of gold. For US monetary policy is clearly geared towards expanding the money stock further in the years to come. And the same can be expected in other currency areas around the world. This is because monetary policymakers follow the very idea that by increasing the quantity of money production and employment will be supported and economic and financial crises will be averted; and that for this end market interest rates have to be suppressed to the lowest levels possible.

However, sound economics would inform us that central banks' inflationary policies – and, no doubt, the expansion of the quantity of money is inflationary – do great harm to the economy and the purchasing power of money in particular. As long as central banks continue with their inflationary scheme, the savvy investor has good reason to consider keeping gold as part of his/her liquid means because the purchasing power of gold cannot be debased by central banks printing up ever greater amounts of currency. And unlike bank deposits, gold does not carry a payment default risk. At current prices, we believe gold offers an attractive risk-reward profile, meaning a significant upward price potential that comes with a limited downside price risk.

Gold price per ounce

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

January 2008 to October 2019



Source: Bloomberg; calculations Degussa. *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.

Precious metals prices

In US-dollar per ounce

	Gold		Silver		Platinum		Palladium	
I. Actual	1492.9		17.5		915.0		1743.5	
II. Gliding averages								
5 days	1487.5		17.5		888.4		1762.6	
10 days	1489.2		17.6		889.3		1733.2	
20 days	1494.5		17.6		894.7		1696.9	
50 days	1507.7		17.8		904.7		1601.5	
100 days	1457.8		16.8		868.6		1546.4	
200 days	1377.5		16.0		854.1		1478.7	
III. Estimate for end 2020	1690		22.9		930		1570	
Bandwidths	Low	High	Low	High	Low	High	Low	High
	1440	1840	16	26	780	990	1380	1650
(1)	-4	23	-7	50	-15	8	-21	-5
IV. Annual averages								
2016	1242		17.0		985		617	
2017	1253		17.1		947		857	
2018	1268		15.8		880		1019	

In euro per ounce

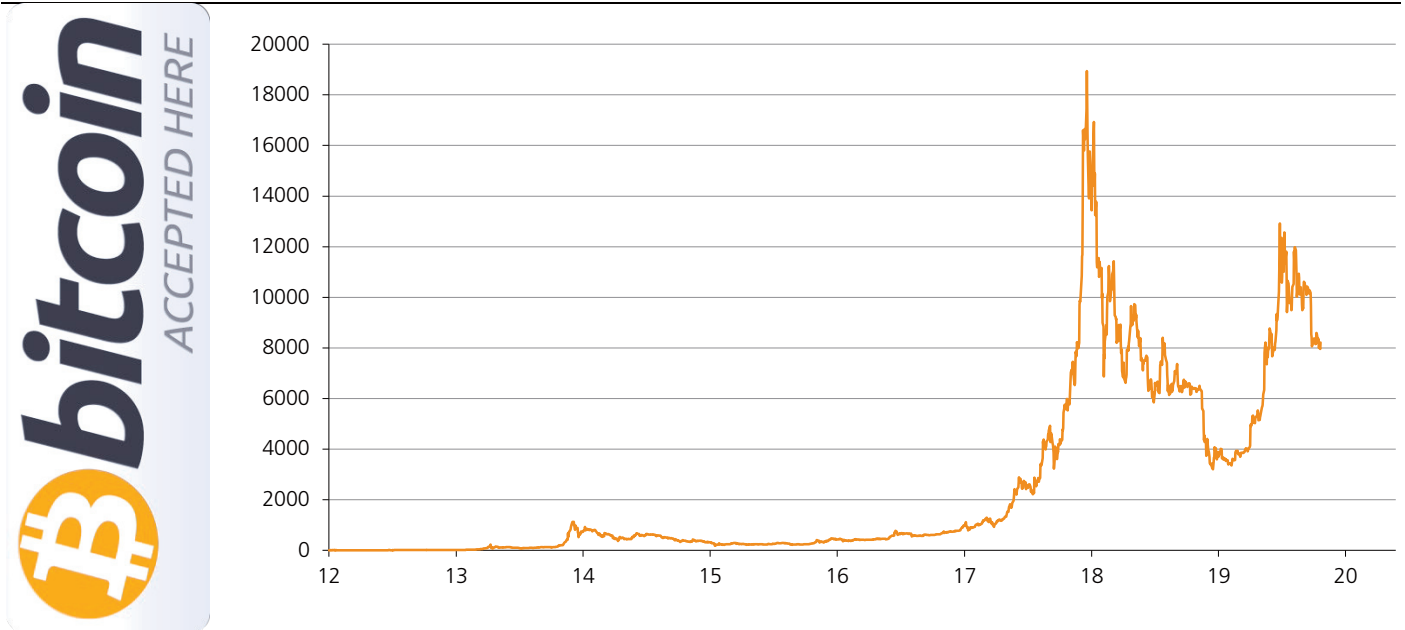
	Gold		Silver		Platinum		Palladium	
I. Actual	1342.0		15.8		822.5		1567.2	
II. Gliding averages								
5 days	1338.1		15.8		799.2		1585.6	
10 days	1345.6		15.9		803.5		1565.9	
20 days	1357.4		16.0		812.6		1541.0	
50 days	1366.1		16.1		819.8		1451.3	
100 days	1309.5		15.1		780.3		1389.1	
200 days	1229.9		14.3		762.5		1320.0	
III. Estimate for end 2020	1580		22		870		1470	
Bandwidths	Low	High	Low	High	Low	High	Low	High
	1350.0	1730.0	15.3	24.8	730.0	930.0	1290.0	1550.0
(1)	1	29	-3	57	-11	13	-18	-1
IV. Annual averages								
2016	1120		15		888		557	
2017	1116		15		844		760	
2018	1072		13		743		863	

Source: Thomson Financial; own calculations and estimates. Numbers are rounded.

(1) Estimated return against actual price in percent.

Bitcoin, performance of various asset classes

Bitcoin in US dollars

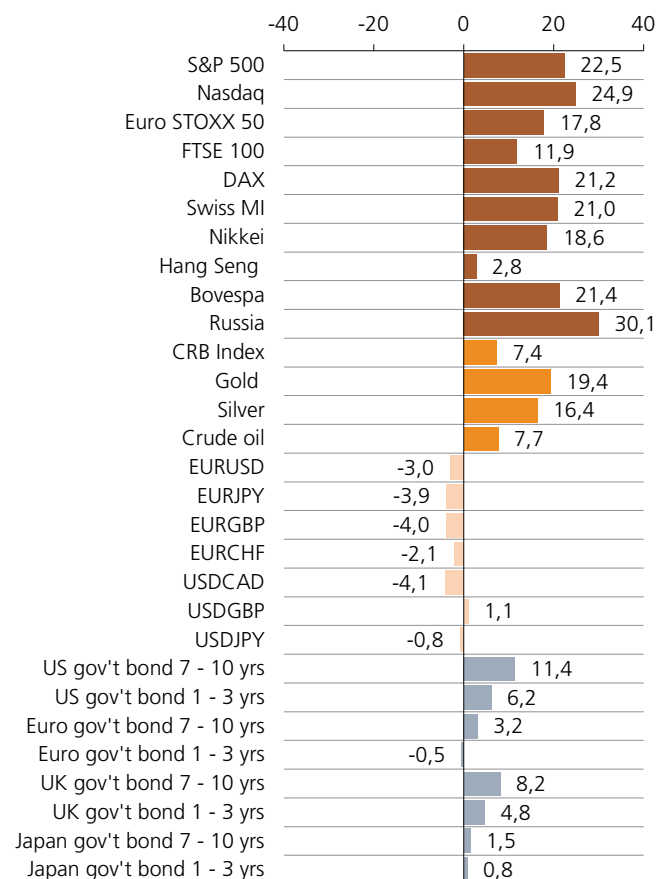
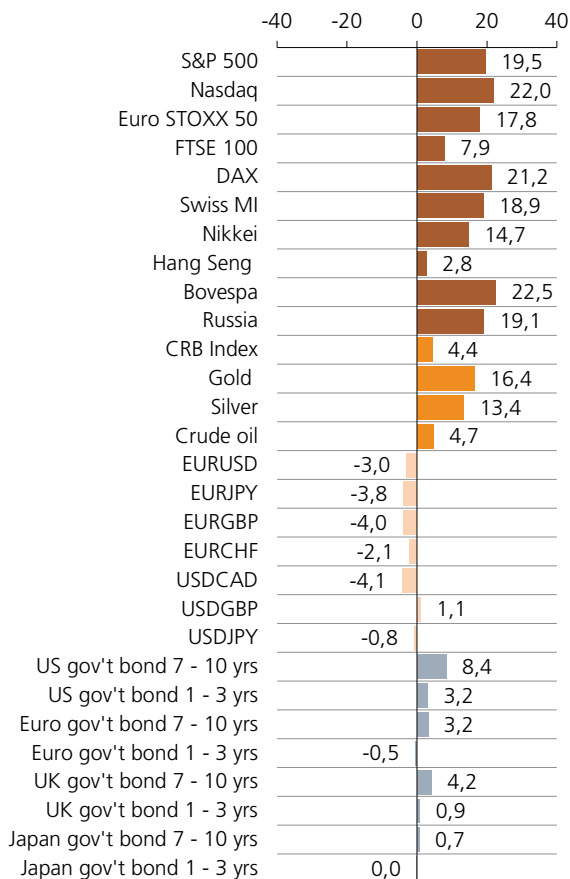


Source: Thomson Financial; graph by Degussa.

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
24 October 2019	The Inflationary Supply Of Unbacked US Dollars And The Price Of Gold
10 October 2019	Let's Get Physical With Gold And Silver
26 September 2019	The US Dollar Beast
12 September 2019	The Inflationary Tide That Lifts all Boats but One
29 August 2019	The Disaster of Negative Interest Rate Policy
15 August 2019	The Gold Bull Market Is Back
1 August 2019	Gold And Silver Prices – Get Going!
19 July 2019	Facebook's Fake Money
4 July 2019	It Looks Like A Gold Bull Market, It Feels Like A Gold Bull Market – Maybe It Is A Gold Bull Market?
19 June 2019	Good Money, Bad Money—And How Bitcoin Fits In
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

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www.degussa-goldhandel.de/marktreport

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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/>



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 25 · 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