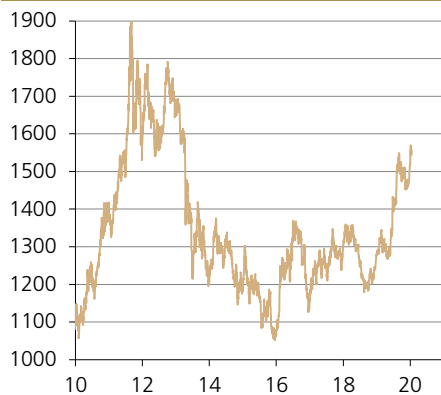


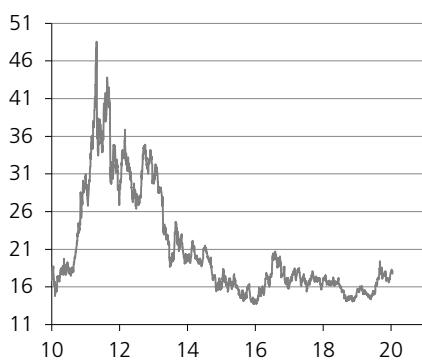
23 January 2020

Economics · Finance · Precious Metals

USD per ounce of gold



USD per ounce of silver



EURUSD



Source: Thomson Financial; graphs by Degussa.

OUR TOP ISSUES

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

BULL MARKETS, NO BUBBLE MARKETS: GOLD AND SILVER IN 2020

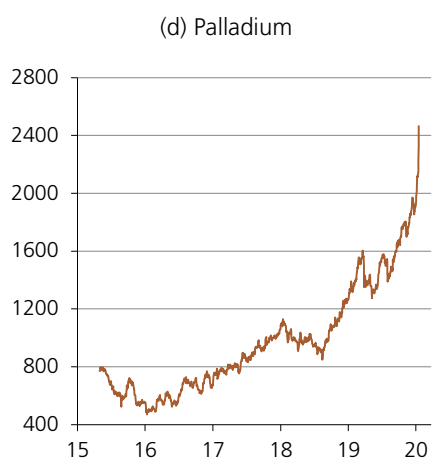
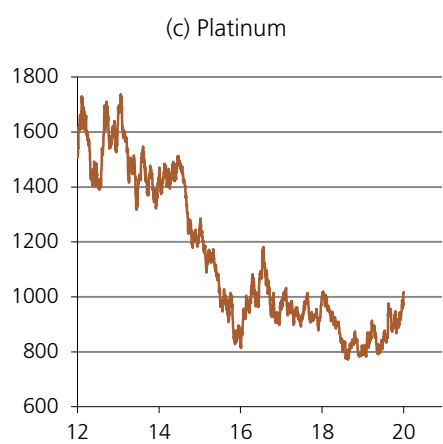
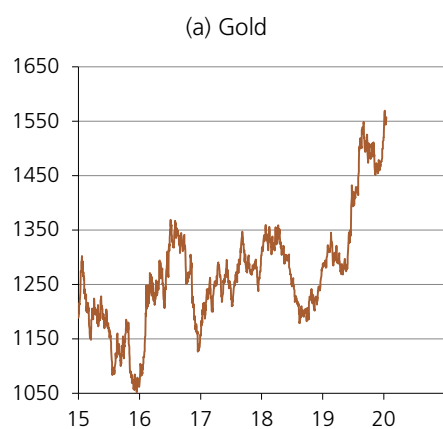
“An economist is an expert who will know tomorrow why the things he predicted yesterday didn't happen today”, said the US-American humourist Evan Esar (1899–1995). Fair enough.

However, we human beings always act future-oriented. We cannot influence the past. And even today's actions do not affect the present but always our future. Against this backdrop, we may feel quite some sympathy for those amongst us who wish to learn more about what the future holds – even though forecasts all too often turn out to be wrong in retrospect.

In the following, we would like to briefly highlight some of the critical issues we consider to be particularly important for the savvy precious metal investor in what lays ahead:

- The cyclical upswing of the global economy will probably not stop this year but continue, albeit at a somewhat lower clip.
- However, downside risks can be expected to increase, as the economies continue to be artificially fuelled by extremely lax monetary policies.
- Zero and negative interest rates and rising asset prices will continue and thus erode the purchasing power of money.
- In this environment, it appears very likely to us that the latest upward movement of precious metal prices will hold up:
- The price of gold could reach around USD 1,700 / oz by the end of 2020, the price of silver about USD 25 / oz.
- For the platinum price, we see upside potential of up to around USD 1,260 / oz, while for palladium downside potential to around USD 1,540 / oz.
- Overall, investors still have good reasons to keep gold and silver as part of their liquid assets, ...
- ... because these precious metals not only have the potential to increase prices but also insure against crisis-related losses.
- That said, from an investor's perspective, gold and silver can be classified as risk-reducing and profit-enhancing.

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



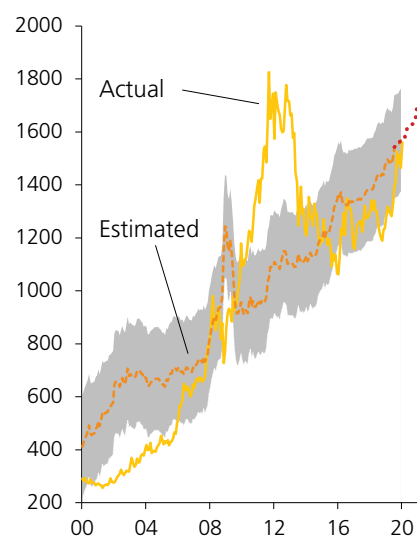
■ In fact, holding gold and silver as part of the investor portfolio promises to turn out particularly rewarding.

The world's major central banks continue to debase the purchasing power of their currencies – by orchestrating consumer and/or asset price inflation. In an environment of very low, zero, or even negative interest rates, monetary policies of this kind amount to a debasement of the currencies.

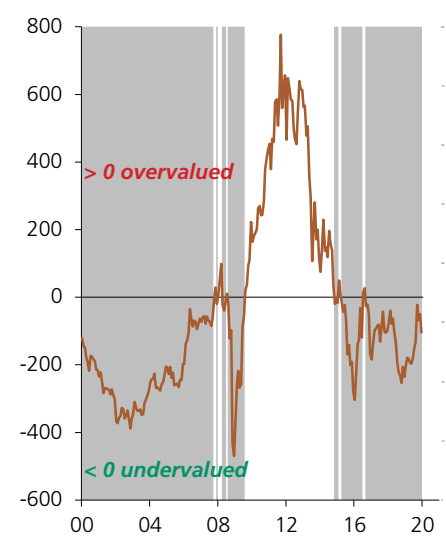
What is more, gold and silver protect the investor against a potential credit or payment default, the probability of which is on the rise, as the inflationary, credit-driven boom has now been going on for so long.

1 Gold price forecasting exercise

(a) Gold price (USD/oz), actual and estimated



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



Source: Thomson Financial; calculations Degussa.

In other words, gold and silver can be interpreted as truly valuable substitutes for bank deposits in the form of time and savings deposits; and they also represent an effective hedge against negative fallouts from credit markets.

Just to be on the safe side: We think the overall rise in asset prices – be it stocks, housing, real estate, etc. – will very likely continue in 2020; and we do not recommend jumping ship. What we recommend, however, is to increase one's risk awareness. This entails, for instance, taking some risky chips off the table and consider preventive measures against markets' downside moves.

This implies, for instance, the critical review of high valuation stocks and, as noted earlier, expanding the portion of gold and silver as part of the portfolio's liquid means. In the same vein, one should even consider increasing the share of liquid means of one's portfolio at some point.

In any case, we would like to stress our viewpoint that the gold and silver market are in a bull market, not a bubble market – which provides the savvy investor with a rather attractive outlook: By holding gold and silver, the investor increases the portfolio's return potential while reducing its risk.

Precious metals prices

In US-Dollar per ounce

	Gold		Silver		Platinum		Palladium	
I. Actual	1554.3		17.8		998.3		2431.6	
II. Gliding averages								
10 days	1556.4		18.0		983.8		2168.3	
20 days	1534.5		17.9		968.5		2036.7	
50 days	1494.1		17.4		930.1		1914.4	
100 days	1497.4		17.6		925.2		1798.4	
200 days	1437.1		16.6		883.8		1617.9	
III. Estimates, end 2020	1695		25		1256		1536	
⁽¹⁾	9		40		26		-37	
<i>Band width</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>
	1459	1931	19.8	28.8	1020	1492	1300	1772
⁽¹⁾	-6	24	11	62	2	49	-47	-27
V. Annual averages								
2017	1253		17.1		947		857	
2018	1268		15.8		880		1019	
2019	1382		16.1		862		1511	

In Euro per ounce

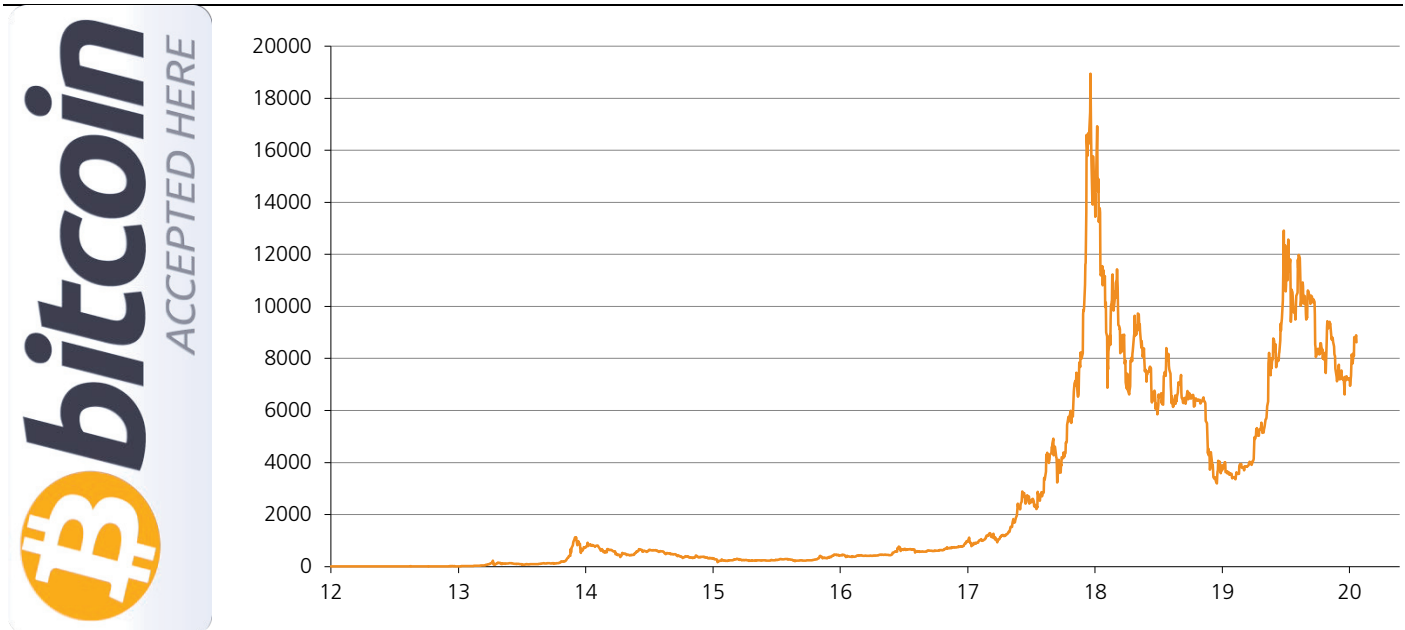
	Gold		Silver		Platinum		Palladium	
I. Actual	1403.3		16.1		901.3		2195.4	
II. Gliding averages								
10 days	1398.3		16.2		883.8		1948.1	
20 days	1377.1		16.1		869.1		1827.9	
50 days	1346.3		15.6		838.0		1724.8	
100 days	1352.9		15.9		835.8		1624.2	
200 days	1290.8		14.9		793.8		1453.5	
III. Estimates, end 2020	1610		24		1190		1460	
⁽¹⁾	15		47		32		-33	
<i>Band width</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>
	1390	1840	18.9	27.5	970	1420	1240	1690
⁽¹⁾	-1	31	18	71	8	58	-44	-23
V. Annual averages								
2017	1116		15		844		760	
2018	1072		13		743		863	
2019	1235		14		770		1350	

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

⁽¹⁾ On the basis of actual prices.

Bitcoin, performance of various asset classes

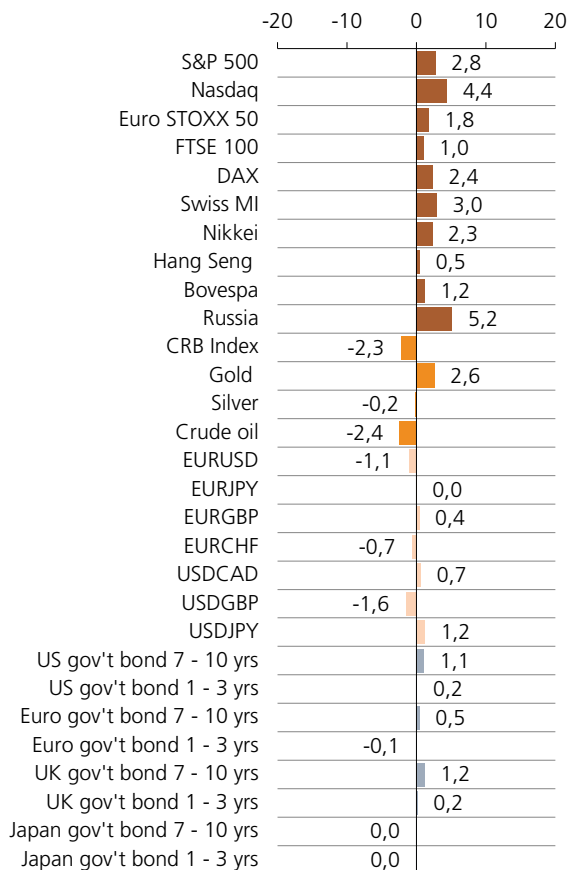
Bitcoin in US dollars



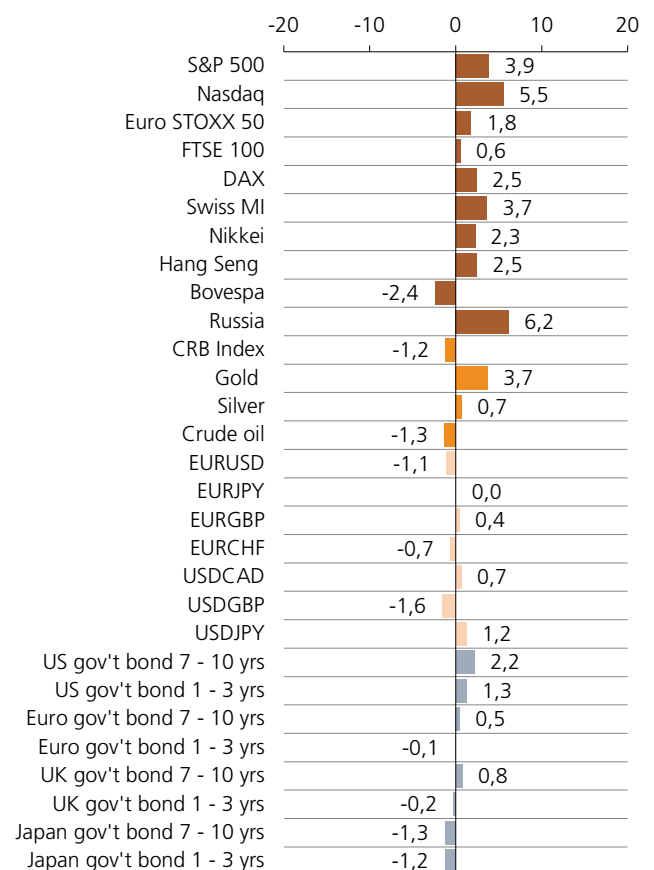
Source: Thomson Financial; graph by Degussa.

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*

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21 November 2019	Asset Price Inflation and the Price of Gold
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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!
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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
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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)
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20 December 2018	Gold Money in a Digitalised World Economy
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23 November 2018	The Fed Is Not Our Saviour
9 November 2018	The Missing Fear – And The Case For Gold
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14 September 2018	How Fed Policy Relates to the Price of Gold
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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

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