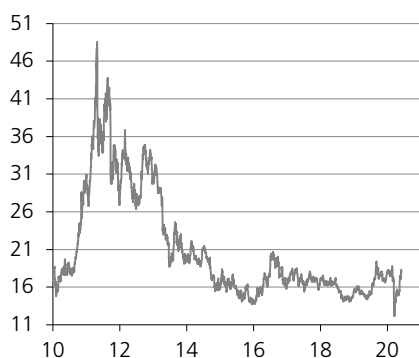


USD per ounce of gold



USD per ounce of silver



EURUSD



Source: Refinitiv; graphs by Degussa.

Precious metals prices				
	Actual (spot)	Change against (in percent):		
		2 W	3 M	12 M
I. In US-dollar				
Gold	1.708.3	-1.9	7.4	23.4
Silver	17.7	6.4	5.7	16.8
Platinum	828.1	3.8	-3.7	-0.2
Palladium	1.972.2	3.7	-21.8	27.5
II. In euro				
Gold	1.526.1	-5.2	6.9	24.4
Silver	15.8	2.8	5.2	17.9
Platinum	739.8	0.3	-4.4	0.6
Palladium	1.762.0	0.5	-22.3	28.5
III. Gold price in other currencies				
JPY	185.575.0	-0.4	7.8	23.7
CNY	12.151.3	-1.7	9.9	28.2
GBP	1.358.7	-5.5	9.0	24.1
INR	128.897.6	1.9	11.3	35.2
RUB	117.295.1	-8.1	11.6	34.5

Source: Refinitiv; calculations by Degussa.

OUR TOP ISSUES

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

GOLD IN TIMES OF ECONOMIC CRISIS AND SOCIAL REVOLUTION

The world seems to be on fire. A couple of months ago, the economic upswing was still firmly established, production expanded, and unemployment was declining. It all changed with the advent of the coronavirus or, to be precise: things turned really sour with the politically dictated lockdowns. As a reaction to the spread of the virus, governments in many countries ordered shops and firms to shut down and people to stay home. The inevitable result was a close-to-complete breakdown of the economic system. Hundreds of millions of people were thrown into outright despair; in India alone 120 million workers lost their jobs in April 2020.

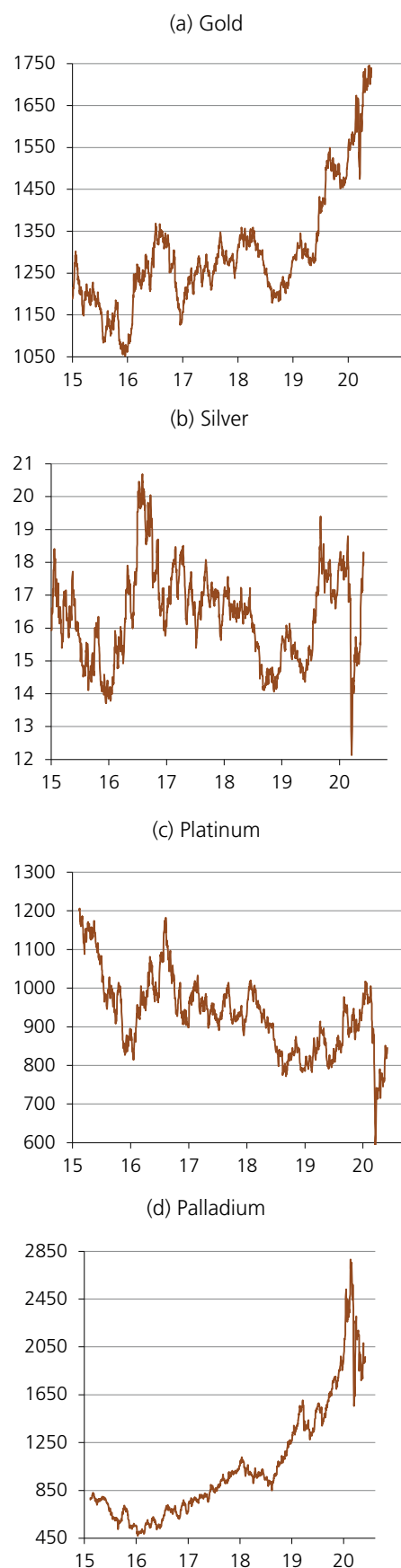
The economic collapse sent the unbacked paper money system into a tailspin. Borrowers were unable to service their debt, banks unwilling to roll over maturing loans, let alone extend new funds to struggling debtors. The entire credit pyramid was about to come crashing down. To prevent this from happening, governments and their central banks went "all in", providing huge amounts of money to pay for peoples' lost incomes and firms evaporating profits. Of course, governments do not have the money they have promised to spend.

Central banks have started running the electronic printing presses, issuing great amounts of newly created money into the banking and financial sector, and also injecting new balances onto peoples' accounts held with banks. In other words: As production contracts heavily, the quantity of money rises strongly. This is, no doubt, an inflationary policy. For if anything inflation must be understood as an increase in the quantity of money. One possible outcome of a policy of increasing the quantity of money is price inflation: the increase in the money prices of goods and services.

Another result of a rise in the money stock is a redistribution of income and wealth among people. Not all people will get a share of the newly created money at the same time, as there will be early receivers and late receivers. The former can buy goods and services at unchanged prices. The latter, however, lose out: They can only purchase vendible items at already elevated prices. As a result, the early receivers of the new money get richer compared to the late receivers. The money injection, therefore, amounts to a redistribution of income and wealth.

The vast amounts of money central banks issue to fend off the symptoms of the crisis will create winners and losers. It will make some richer, and it will make many others poorer. It does not create a win-win situation. Banks, the financial industry, big business, and governments as well as their entourages and

Precious metal prices (USD/oz) in the last 7 years



Source: Refinitiv; graphs by Degussa.

close beneficiaries can be expected to be on the winning side. In contrast, medium and small business, the average employee, and pensioners can be expected to be on the losing end. If anything, the printing of ever greater amounts of money increases economic inequality.

It is no longer hard work, ingenuity, frugality and consumer orientation on the part of the individual that determines one's economic fate but closeness to the central bank's money-printing press and meeting the requirement for receiving government favours. In times of economic expansion, opposition and protest against the social injustice that comes with money printing are subdued – as most people see their slice of the cake increasing at least to some extent. A recession, however, changes that: It lays the foundation for outright opposition and rebellion.

As the Austrian economist Ludwig von Mises (1881-1973) noted perceptively in 1932: "Permanent mass unemployment destroys the moral foundations of the social order. The young people who, having finished their training for work, are forced to remain idle, are the ferment out of which the most radical political movements are formed. In their ranks the soldiers of the coming revolutions are recruited." Opposition and rebellion against what?

Most people these days blame the loss of jobs and dire income situation on capitalism – the economic system in which the means of production are in private hands. They argue that capitalism makes the rich even richer and the poor even poorer and that capitalism is inherently unstable and causes recurring economic and financial crises. However, this is an entirely false interpretation. First and foremost, neither in the US, Europe, Asia, nor in Latin America, we find capitalism in the pure sense of the word.

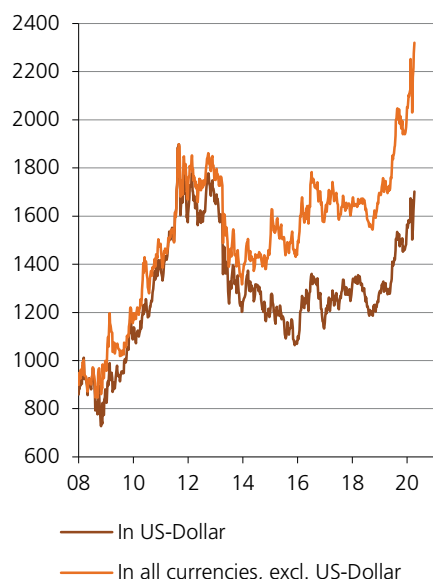
Economic systems around the world represent interventionist systems. Governments have greatly restricted the workings of the free market forces through taxes, directives, laws, and regulations. Wherever you look, what little is left of the capitalist order is under siege, gets eliminated further. A rather obvious point is the monetary system: Money production has been monopolised by government-sponsored central banks which hand out licences to privately held banks to participate in money creation which is not backed by any real savings.

Sound economic theory teaches us that such a monetary system causes great trouble: It is inflationary, causes boom and bust cycles, makes the economy run into over-indebtedness, and allows the state to become ever greater, transforming itself into the "Deep State". Indeed, there should be little doubt that without an unbacked paper money system, today's governments could not have become as big, encroaching, and suppressive as they are. The unbacked paper money system is so to speak the elixir for creating a tyrannical government.

Unfortunately, those blaming capitalism are barking up the wrong tree. For all their critique of inflationary money, economic hardship and rising inequality are the direct results of governments' successful war against capitalism, which has been replaced by a system of interventions; the free market system was replaced by a system of decrees and prohibitions, all of which are incompatible with capitalism in the true sense. Against this backdrop, the question arises: How come that people put all the blame on capitalism rather than interventionism-socialism?

Of course, there is this thing called "anti-capitalist mentality". Many people do not like capitalism, because under capitalism, those are economically rewarded

Gold price per ounce in US dollars and all world currencies (excl. the US dollar)*



Source: Refinitiv; 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.

who serve consumer demand best: Making a profit is the result of having produced something that others want to buy. Those who are less eager to serve their fellow man must settle for lower incomes. This inevitable truth is the breeding ground for resentment, envy, and malevolence. And these emotions can be instrumentalised quite easily by demagogues.

This is exactly where the socialist ideology comes in. It appeals and caters to peoples' resentments. Capitalism is declared the bad guy, the culprit of peoples' dissatisfaction. In that sense, capitalism becomes a kind of "hate screen" against which people are encouraged to direct all their resentments. Most importantly, anti-capitalistic policies, the programme of socialism, are praised and promoted to be beneficial for the dissatisfied, to clamp down on the rich and to ensure a more even distribution of income and wealth.

No doubt, the current income and wealth distribution has been brought about by interventionism-socialism rather than pure capitalism. One strategy to remedy it is to channel peoples' dissatisfaction in the right direction: Making clear that calling for less interventionism, less socialist policies, and the deconstruction of the state (as we know it today) is the way forward – not pushing the free market system over the cliff and allowing the Deep State to become even bigger. No doubt, this amounts to a gigantic educational task.

Much depends on making progress on this issue, as it would be a recipe for disaster if capitalism continues to be held responsible for the economic, social, and political problems that are, in fact, caused by a system that can perhaps best be characterised as anti-capitalism. Bidding farewell to capitalism, people put peace and prosperity in severe danger, jeopardising the existential future of the great majority of human lives around the globe. That said, safeguarding capitalism from its destructive enemies is of utmost importance.

This is not only a time of economic crisis. In hindsight, it may also appear as a standoff between those forces wanting to push further towards socialism and those forces trying to make the system move back towards capitalism. And perhaps also as a time of social revolution. Hopefully, a revolution against the encroaching socialism in the form of ever bigger and even more powerful governments; hopefully, a revolution in which people seek to regain control over their lives, putting an end to left-leaning ideologies, be it political globalism, interventionism, or outright socialism.

In any case, the great loser will most likely be the purchasing power of money. If central banks are allowed to get away with their unbacked paper money scheme, the purchasing power of money can be expected to decline at an accelerating clip. And if central banks are stopped, the ensuing economic crisis would most likely make quite a few banks go belly up, destroying peoples' deposits. In times like these, it appears to be advisable to keep gold as insurance in one's portfolio because the purchasing power of gold cannot be debased by central banks running the electronic printing press. And gold does not carry a payment or default risk.

PRECIOUS METALS PRICES

In US-Dollar per ounce

	Gold		Silver		Platinum		Palladium	
I. Actual	1709.2		17.7		827.5		1972.2	
II. Gliding averages								
10 days	1728.0		17.5		833.7		1959.9	
20 days	1722.5		16.7		802.7		1907.9	
50 days	1694.1		15.6		771.2		2013.3	
100 days	1639.4		16.3		837.8		2171.5	
200 days	1568.2		16.9		880.0		1972.3	
III. Estimates, end 2020	2040		25		1256		1536	
⁽¹⁾	19		40		52		-22	
<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>
	1710	2230	19.8	28.8	1020	1492	1300	1772
⁽¹⁾	0	30	12	63	23	80	-34	-10
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

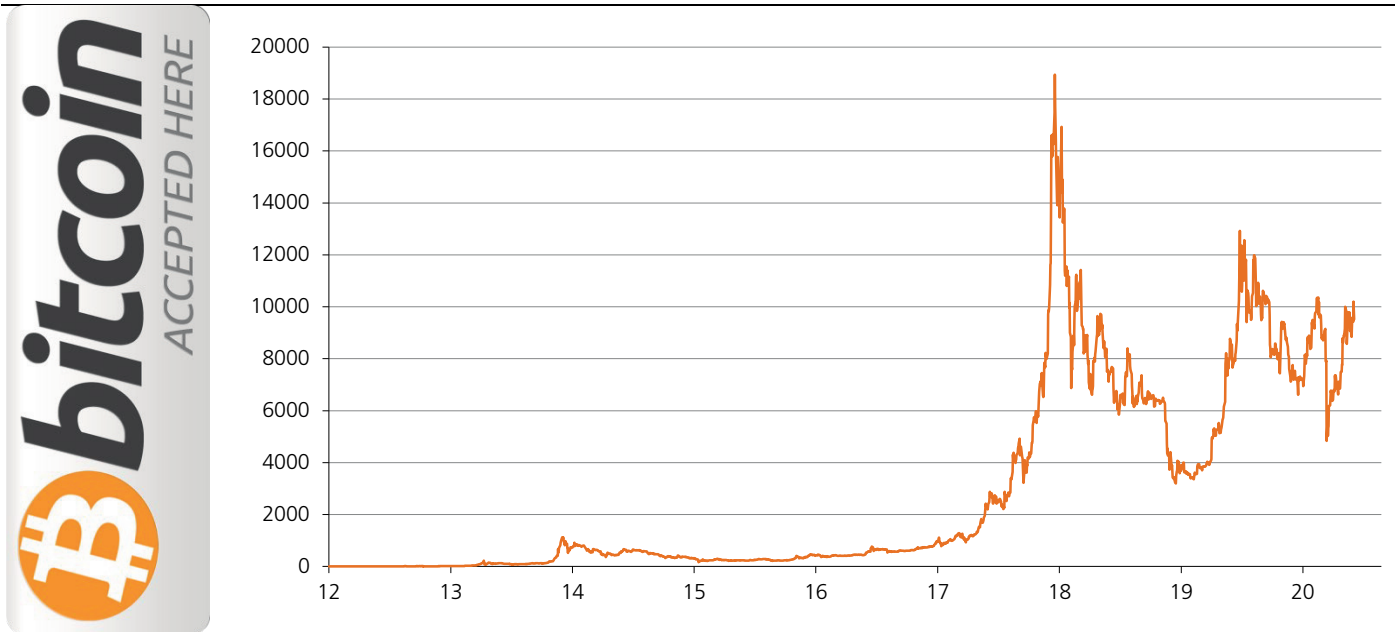
	Gold		Silver		Platinum		Palladium	
I. Actual	1527.2		15.8		739.4		1762.1	
II. Gliding averages								
10 days	1568.5		15.8		756.8		1779.1	
20 days	1576.0		15.2		734.2		1745.3	
50 days	1553.0		14.3		706.8		1845.3	
100 days	1496.9		14.9		764.4		1981.4	
200 days	1424.8		15.4		798.8		1791.6	
III. Estimates, end 2020	1910		23		1180		1440	
⁽¹⁾	25		48		60		-18	
<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>
	1600	2090	18.6	27.1	950	1400	1220	1660
⁽¹⁾	5	37	18	71	28	89	-31	-6
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

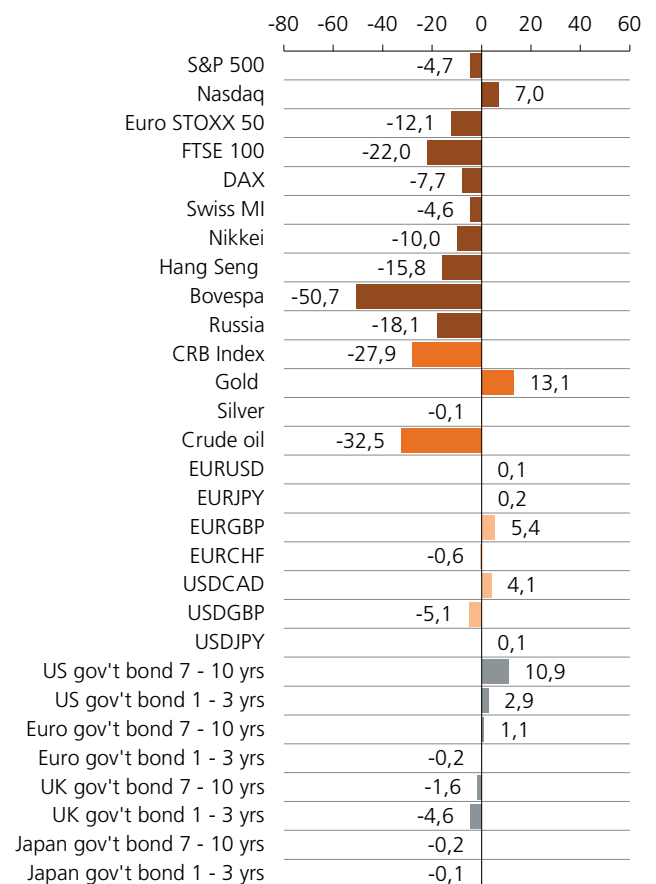
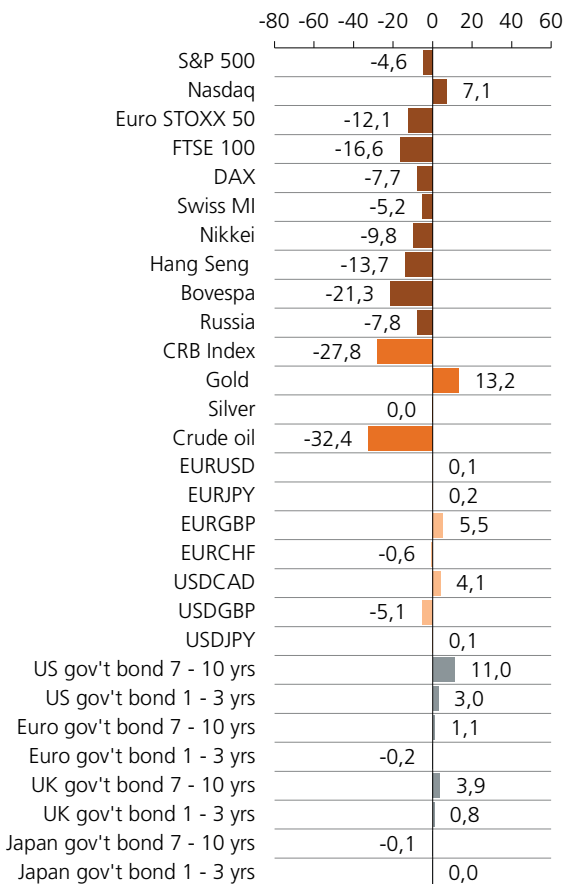
Bitcoin in US dollars



Performance of stocks, commodities, FX and bonds

(a) In national currencies

(b) In euro



Source: Refinitiv; calculations by Degussa.

Articles in earlier issues of the *Degussa Market Report*

Issue	Content
4 June 2020	Gold in Times of Economic Crisis and Social Revolution
20 May 2020	First the Money Supply Shock, Then the Inflation Shock
7 May 2020	Be Aware of What Inflation Really Is
23 April 2020	The Undesirable Effects of the Corona-Virus Relief Package
9 April 2020	The Boom And Bust Theory That Does Not Crash
26 March 2020	With Mega Bail Outs, Governments Are The Big Winners
12 March 2020	The Truth About Money – Past, Present, Future
27 February 2020	Inflation Policy And Its Supporters
13 February 2020	Gold-ETFs Versus Physical Gold: Difference Matters
30 January 2020	Do Not Think The Era Of Boom And Bust Has Ended
23 January 2020	Bull Markets, No Bubble Markets: Gold And Silver In 2020
19 December 2019	The Inflation Sham
5 December 2019	Why the Feared Crash Keeps Us Waiting
21 November 2019	Asset Price Inflation and the Price of Gold
7 November 2019	ETFs Drive Gold Demand
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
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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

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www.degussa-goldhandel.de/marktreport

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