

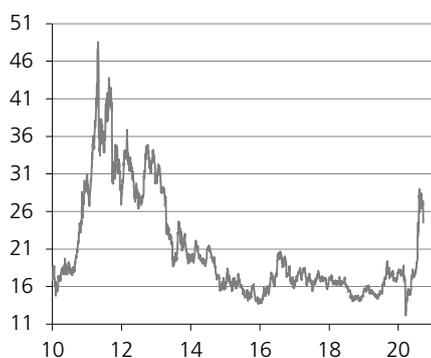
24 September 2020

Economics · Finance · Precious Metals

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	1.903.1	-1.5	9.4	29.3
Silver	24.2	-9.9	32.6	42.6
Platinum	889.5	-0.6	4.9	0.9
Palladium	2.270.1	-1.2	15.7	35.6
II. In euro				
Gold	1.621.3	-0.7	3.8	20.1
Silver	20.6	-9.1	25.8	32.5
Platinum	757.8	0.9	-0.6	-6.3
Palladium	1.934.0	-0.5	9.3	25.9
III. Gold price in other currencies				
JPY	198.953.0	-3.1	6.3	25.0
CNY	12.909.9	-2.4	4.2	22.7
GBP	1.487.3	2.2	6.9	24.2
INR	139.963.8	1.9	6.6	34.6
RUB	144.628.3	-0.5	20.6	51.6

Source: Refinitiv; calculations by Degussa.

OUR TOP ISSUES

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

GET PHYSICAL WITH GOLD

At the end of August 2020, gold stocks held by Exchange Traded Funds (ETFs) and Exchange Traded Commodities (ETCs) reached an all-time high of 3.844 tonnes.

Since the beginning of this year, inflows amounted to 622.1 tonnes in North America, 278.6 tonnes in Europe, 36 tonnes in Asia and 20.7 tonnes in other regions. The largest holdings are in the US (1,984.7 tonnes), the UK (756.6), Germany (392.9) and Switzerland (363.5 tonnes).

However, in August total inflows slowed to the lowest month-on-month increase in the last nine months of 38.8 tonnes (North America: +38.9 tonnes, Europe: *minus* 10.9 tonnes, Asia: +8.9 tonnes, other regions: +1.9 tonnes). This might be a reflection of financial markets calming down, and investors becoming less risk-averse.

1 Close correlation between gold price and Gold-ETFs

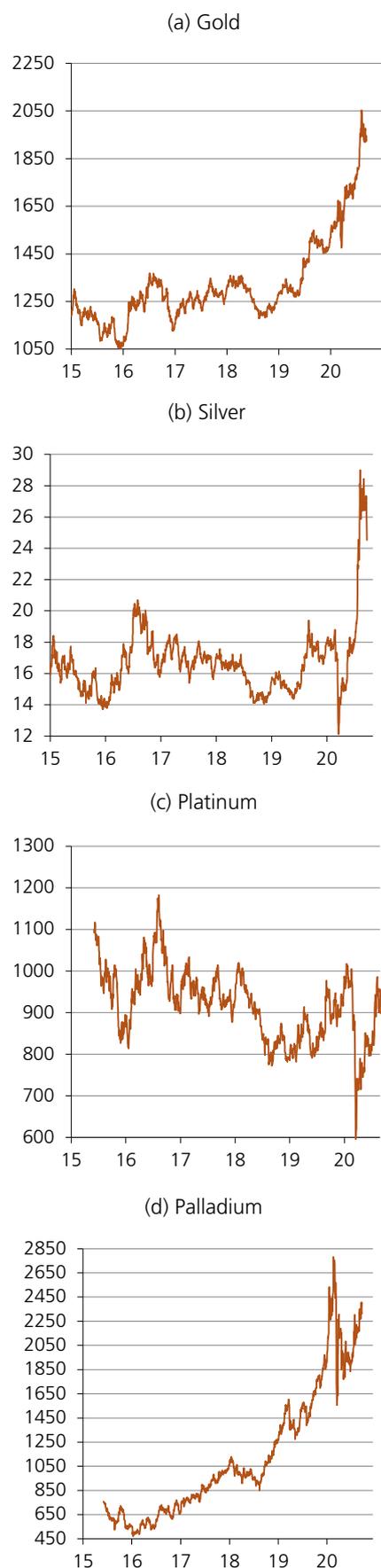
ETF gold stock (mn ounces) and price of gold (USD/oz)



Source: WGC, Refinitiv; graph Degussa.

It seems that seeking exposure to the gold market via ETFs and ETCs has become increasingly attractive from the viewpoint of many investors. This is true in particular for institutional investors, as they quite often have, due to regulations, no other option to enter the gold market than via purchasing gold ETFs or ETCs. But also private investors seem to find gold ETFs and ETCs attractive, as they offer a rather convenient and low-cost strategy to participate in the market for gold.

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



Source: Refinitiv; graphs by Degussa.

It is interesting to see that there has been a rather positive and close relation between the gold stocks held by ETFs/ETCs and the price of the yellow metal (see figure 1). This clearly begs the question of causality: Do price changes in gold induce changes in the demand for ETFs/ETCs? Or is the reverse true: Do changes in the demand for ETFs and ETCs induce changes in the price of gold?

There is probably no easy answer to this question. But given the latest inflows into gold ETCs and ETFs, it should be clear that these financial vehicles have become increasingly important players in the gold market. They have not only simplified and broadened access to the gold market; they also have lowered the costs of trading gold.

However, investors should be aware that the risk profile of holding physical gold (in the form of bars and coins) is rather different from investing in gold ETFs/ETCs. If you hold physical gold (in, say, a safe deposit box outside the banking system), you are not exposed to the risks that typically come with ETFs and ETCs – such as, for instance, counterparty risk, the risk of discrepancies between the physical gold price and an ETF/ETC share, risk that losses may occur from actively managed ETFs/ETCs, the risk that redemptions may be subject to postponements, etc.

If the investor is interested in benefitting from gold price changes, and if they are not concerned by other risk factors, purchasing ETFs and ETCs are certainly a proper way to put this strategy into practice. If, however, the investor wishes to hedge against the conspicuous risks that come with today's world-wide paper money system, holding physical gold should be given priority.

2 Rising monetary liquidity pushes gold price up

Price of gold (USD/oz) and US total liquidity (USD/bn)



Source: WGC, Refinitiv; graph Degussa. *Monetary base plus money stock M2 (adjusted for cash in circulation).

As a final note, gold has been an effective hedge against monetary inflation (see figure 2). From the beginning of 2000 until the middle of September 2020, the US "total monetary liquidity" has increased by around 350 per cent, and the price of gold has gained 570 per cent. While it may still be open for debate, we believe that the price of gold does not only compensate against inflation but also tends to reward the investor for credit risk, at least over the medium- to long-term. Against this backdrop, holding gold is effectively risk-reducing and return-enhancing for the long-term oriented investor.

PRECIOUS METALS PRICES

In US-Dollar per ounce

	Gold		Silver		Platinum		Palladium	
I. Actual	1903.3		24.2		889.0		2270.2	
II. Gliding averages								
10 days	1945.8		26.7		935.5		2325.1	
20 days	1943.7		26.9		928.3		2282.1	
50 days	1937.2		25.5		920.5		2197.2	
100 days	1838.5		21.4		867.0		2055.7	
200 days	1717.9		19.0		868.6		2121.2	
III. Estimates, mid 2020	2550		48		1059		2066	
⁽¹⁾	34		98		19		-9	
<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>
	2310	2780	43.0	53.0	823	1295	1899	2299
⁽¹⁾	21	46	77	119	-7	46	-16	1
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

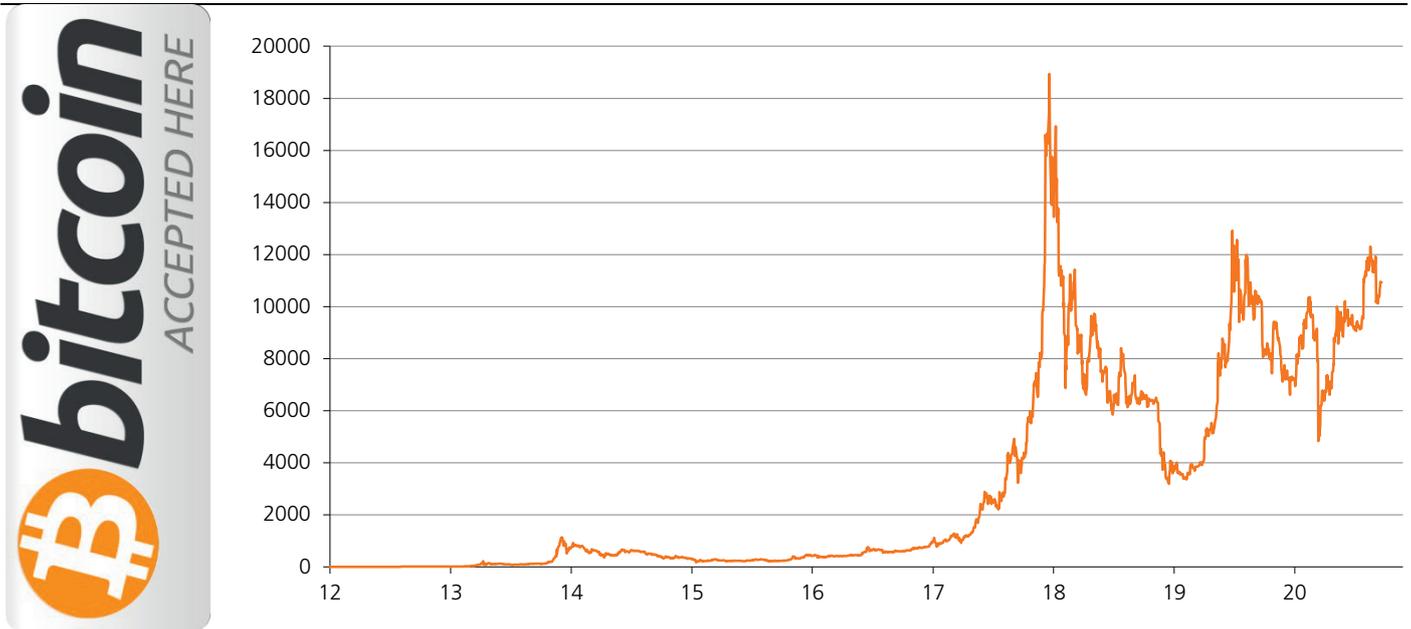
	Gold		Silver		Platinum		Palladium	
I. Actual	1621.7		20.6		757.5		1934.4	
II. Gliding averages								
10 days	1645.3		22.6		791.0		1966.0	
20 days	1641.5		22.8		784.0		1927.3	
50 days	1646.3		21.7		782.2		1867.1	
100 days	1604.8		18.6		756.5		1793.6	
200 days	1528.8		16.8		773.5		1890.9	
III. Estimates, mid 2020	2300		43		950		1860	
⁽¹⁾	42		110		25		-4	
<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>
	2080	2510	30.0	47.9	740	1170	1710	2070
⁽¹⁾	28	55	45	132	-2	54	-12	7
V. Annual averages								
2017	1116		15		844		760	
2018	1072		13		743		863	
2019	1235		14		770		1350	

Source: Refinitiv; calculations and estimates Degussa. Numbers are rounded.

⁽¹⁾ On the basis of actual prices.

BITCOIN, PERFORMANCE OF VARIOUS ASSET CLASSES

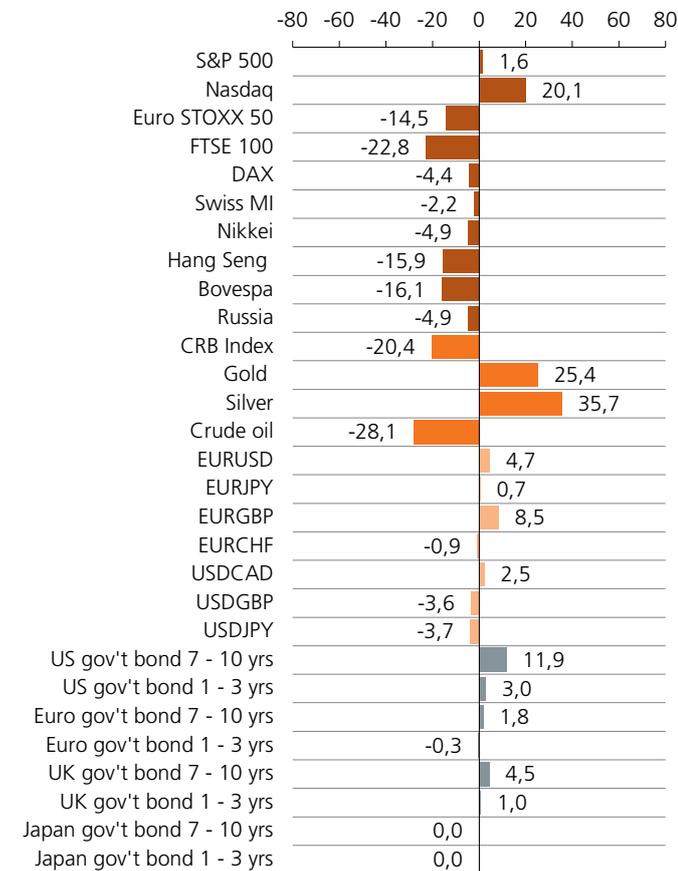
Bitcoin in US dollars



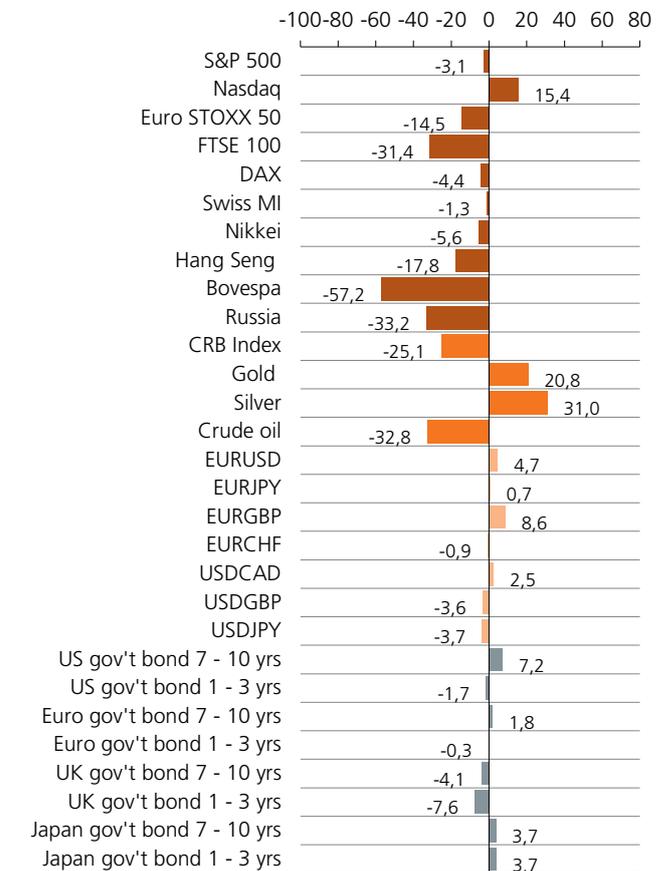
Source: Refinitiv; graph by Degussa.

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
24 September 2020	Get Physical With Gold
10 September 2020	The Inflation Threat And The Case For Gold
27 August 2020	We Need Sound Money To Regain and Defend Our Liberties
13 August 2020	Gold And Silver Prices Are Set To Trend Even Higher
30 July 2020	The Big Short In Official Currencies
16 July 2020	“World Gold Price” Hits A New Record
2 July 2020	Some Things You Need To Know About Money
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
28 March 2019	Sword of Damocles Over Asset Prices
14 March 2019	The Big Central Banks Increase the Case for Gold

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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

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Degussa 
GOLD UND SILBER.

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

Dusseldorf (Old Gold Centre): In der KÖ Galerie
Königsallee 60 / Eingang Steinstraße · 40212 Dusseldorf
Phone: 0211-13 06 858 – 0 · duesseldorf@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): Prinzregentenufer 7 · 90489 Nuremberg
Phone: 0911-669 488 – 0 · nuernberg@degussa-goldhandel.de

Pforzheim (refinery): Freiburger Straße 12 · 75179 Pforzheim
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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

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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