

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	1.818.8	-3.7	-7.7	19.9
Silver	23.7	-3.9	-16.1	32.8
Platinum	1.008.4	13.5	8.5	4.8
Palladium	2.401.2	3.3	7.0	23.7
II. In euro				
Gold	1.506.0	-5.6	-8.6	11.3
Silver	19.6	-5.6	-16.6	23.5
Platinum	835.4	11.3	7.4	-2.7
Palladium	1.989.0	1.3	6.1	14.9
III. Gold price in other currencies				
JPY	190.125.0	-3.7	-8.7	15.4
CNY	11.937.0	-4.3	-11.4	13.0
GBP	1.366.9	-4.5	-7.1	19.6
INR	134.157.4	1.9	-6.9	23.9
RUB	137.408.8	-5.7	-5.4	46.3

Source: Refinitiv; calculations by Degussa.

OUR TOP ISSUES

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

KEEP YOUR COOL – AND PHYSICAL GOLD AND SILVER

Making sound investment decisions is difficult. And the greatest enemy to investment success is us, the “human factor”. For instance, we tend to overestimate our ability to process and properly weigh all the information needed to make an informed investment decision. Sometimes we become fearful, we even panic, or we become greedy, and then we make really bad investment decisions – like buying too late or not buying at all. Or selling too early or selling too late. The list goes on and on.

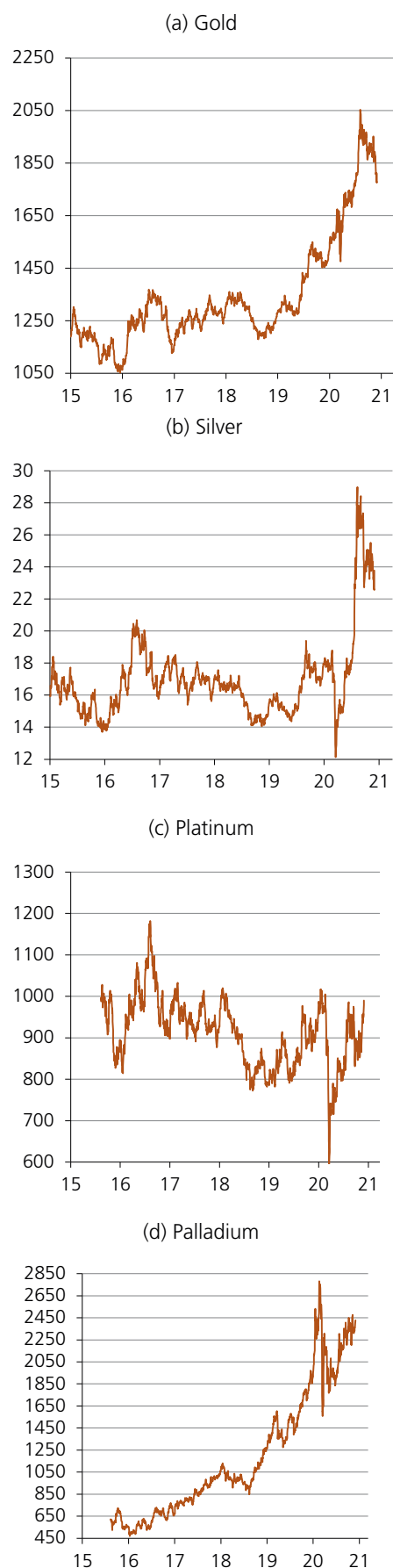
The difficulties of making sound investment decisions apply, of course, to all kind of assets and markets, including the precious metals space. Therefore, the question is: Are there any general guidelines, or recommendations, which might help to improve your investment outcomes, especially as far as precious metals are concerned? I believe there are (at least) three.

Recommendation #1: For most investors, a “market timing” strategy is a very difficult thing to do. In a bull market, people all too often buy when prices have reached their peak already. And in a bear market, people sell when prices have fallen to record lows and are moving up again. Especially short-term oscillations of market prices (say, over a week, quarter, or year) are hard to forecast correctly. So if you see some sense in these words, simply take a long-term view: If you buy something, make sure that you wish to hold it for, say, three to five years or even longer – and in the meantime don’t pay attention to the short-term ups and downs of the market.

Recommendation #2: If you operate with a fairly long-term investment horizon, there is no reason for you to equate price volatility with investment risk. Market prices move up and down for all sorts of reason. The really important thing for a long-term oriented investor is to make sure that one does not suffer a permanent capital loss. Example: You pay 100 US\$ for an asset, and subsequently, its market price falls to 5 US\$ and does not recover. That said, you should do your homework before you buy or sell. Especially make sure that you know the “value” of the asset you wish to buy and studied the risks attached.

Recommendation #3: Make sure that the price you pay for something is below its value. Adhering to this rule reduces the risk of suffering permanent losses, which may occur if you overestimate the value and pay too high a price. Also, paying a price that is below an asset’s value bolsters your investment return. Of course, sometimes, it is hard to say what the value of a given asset might be. If

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



Source: Refinitiv; graphs by Degussa.

you don't know an asset's value, you better refrain from buying it. Look for other opportunities you are comfortable with in terms of assessing.

Against this backdrop, this is what you should do with gold and silver.

If you wish to make an investment decision with a long-term orientation, physical gold and silver may fit into your portfolio structure well. The two precious metals can be considered a hedge against the vagaries of the worldwide unfettered unbacked paper money system. Their purchasing power cannot be debased by central banks running the printing press.

If the last decades taught us any lesson, it is that gold has been outperforming US-dollar, euro and Co in terms of preserving, even increasing, its purchasing power. Given the growing problems of the international unbacked paper money architecture, there is a good chance that gold will continue to outperform official currencies for at least two reasons.

First, a resurgence of consumer and producer goods price inflation – as a result of the excessive money creation at the hands of central banks – is likely, and chances are that this will lead to a structural increase in the demand for gold, supporting a higher gold price going forward.

Second, political efforts to bring about a "Great Transformation", a "Great Reset" of the world economic system, as pushed forward by many governments around the world, has the potential to cause great damage to growth, employment, and financial stability, problems which will most likely be addressed with even more excessive monetary policies, providing an additional boost to investor demand for the yellow metal and thus its price.

The critical issue clearly is, of course, how to determine the value of gold (and silver, for that matter). While there is something like a "formula" when it comes to assessing stocks and bonds (at least in theory, namely the present value model of future cash flows), we do not have anything comparable when it comes to assessing the value precious metals.

However, we think that, in the long-term, there is a relatively stable relationship between the world's money stock, real interest rates, and credit market conditions. Against this backdrop, we estimate that the current "equilibrium price" of gold (the price that is suggested by the current state of the macro-economic variables identified as explanatory factors) is around 2.500 USD/oz.

This price is well above the current 1.800 USD/oz, offering quite some upward price potential for the long-term oriented investor. However, one *cannot* say with any degree of precision *when* the market will push the gold price towards the estimated level. The take-away is that gold isn't expensive; in fact, bought at current prices, it appears to be a great bargain.

That said, silver deserves special attention. It tends to be dragged up once the price of gold moves higher. And as the price of gold is typically pushed higher in times of monetary and financial turmoil, there is a good chance that investors will increasingly seek silver for monetary purposes – as suggested already by the strong inflow of money into Silver Exchange Traded Funds.

The bottom line is, we believe there is currently a good opportunity for the savvy long-term oriented investor to buy and keep building physical gold and silver positions. Should the market correction, which began in the middle of 2020,

continue, the widening differential between the value and the price of gold doesn't mean a permanent loss: It actually makes buying gold (and silver) more attractive from the investor's point of view.

PRECIOUS METALS PRICES

In US-Dollar per ounce

	Gold		Silver		Platinum		Palladium	
I. Actual	1818.4		23.7		1008.2		2401.1	
II. Gliding averages								
10 days	1895.6		24.5		889.9		2380.5	
20 days	1896.4		24.3		882.1		2342.2	
50 days	1905.9		24.6		887.8		2333.3	
100 days	1907.4		24.3		894.4		2230.0	
200 days	1790.4		20.3		849.3		2156.2	
III. Estimates, mid 2021	2550		48		1059		2066	
⁽¹⁾	40		103		5		-14	
<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⁾	27	53	82	124	-18	28	-21	-4
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

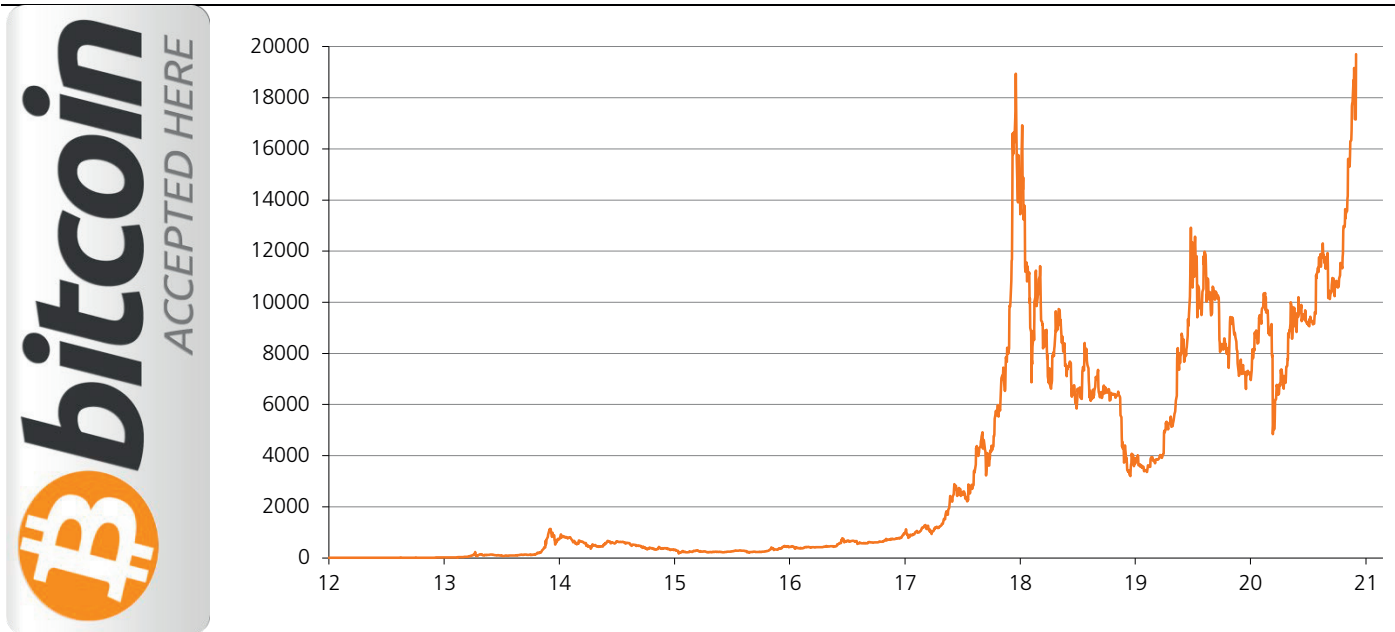
	Gold		Silver		Platinum		Palladium	
I. Actual	1507.1		19.6		835.5		1990.0	
II. Gliding averages								
10 days	1604.3		20.8		753.1		2014.7	
20 days	1608.7		20.6		748.2		1986.6	
50 days	1618.8		20.9		753.9		1981.6	
100 days	1627.0		20.7		762.8		1901.5	
200 days	1574.1		17.7		746.9		1897.5	
III. Estimates, mid 2021	2300		43		950		1860	
⁽¹⁾	53		121		14		-7	
<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⁾	38	67	53	144	-11	40	-14	4
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

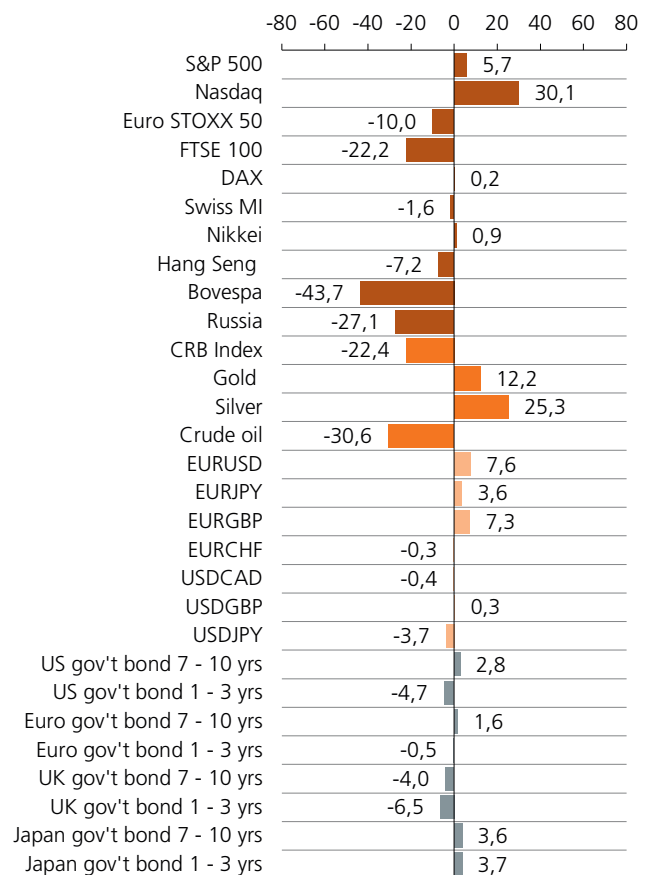
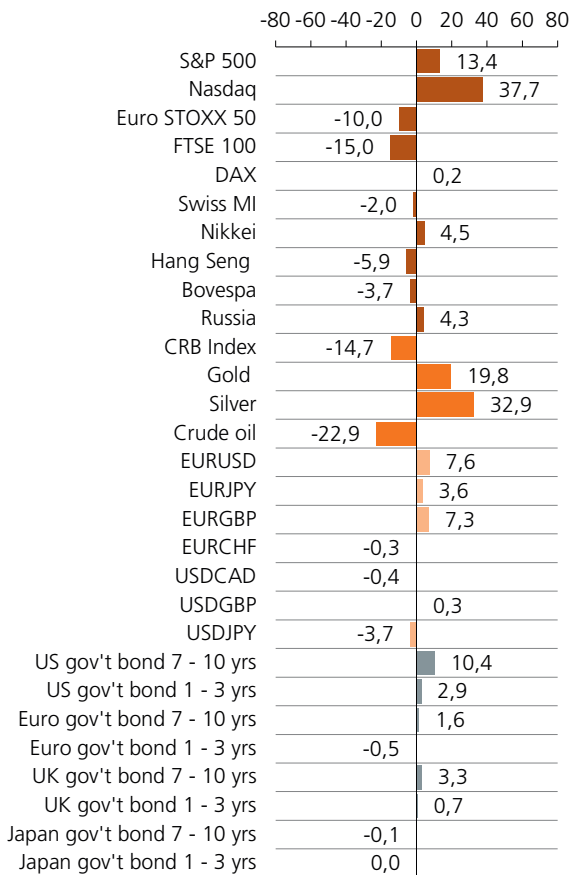


Source: Refinitiv; graph by Degussa.

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
3 December 2020	Keep Your Cool – And Physical Gold And Silver
19 November 2020	It is Going to be Wild. Hold on to Physical Gold
5 November 2020	For In Fire Gold Is Tested
22 October 2020	The Policy of Inflating Everything, Not Only The Price Of Gold
8 October 2020	President Trump Is Good For Gold, Or Isn't He?
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

The Degussa Marktreport (German) and the Degussa Market Report (English) are available at:
www.degussa-goldhandel.de/de/marktreport.aspx.

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