

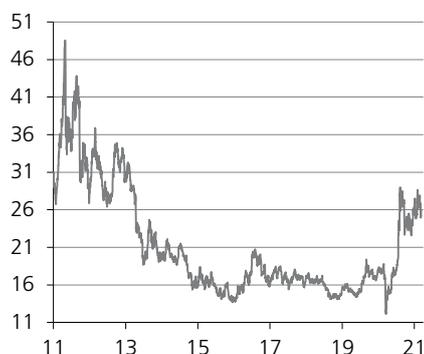
11 March 2021

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
<b>I. In US-dollar</b>				
Gold	1.724.4	-3.3	-3.0	9.8
Silver	26.2	-3.8	15.8	87.3
Platinum	1.202.3	-5.6	24.6	66.5
Palladium	2.301.7	-3.2	-3.0	-2.1
<b>II. In euro</b>				
Gold	1.446.4	-1.6	-2.9	1.6
Silver	22.0	-2.2	15.8	73.9
Platinum	1.008.5	-4.1	25.0	54.3
Palladium	1.931.0	-1.6	-2.8	-9.4
<b>III. Gold price in other currencies</b>				
JPY	186.922.0	-0.5	0.9	10.6
CNY	11.217.1	-2.5	-4.0	0.8
GBP	1.238.0	-2.6	-7.1	-2.1
INR	125.396.4	1.9	-4.6	5.9
RUB	126.934.6	-3.7	-6.4	3.0

Source: Refinitiv; calculations by Degussa.

## OUR TOP ISSUES

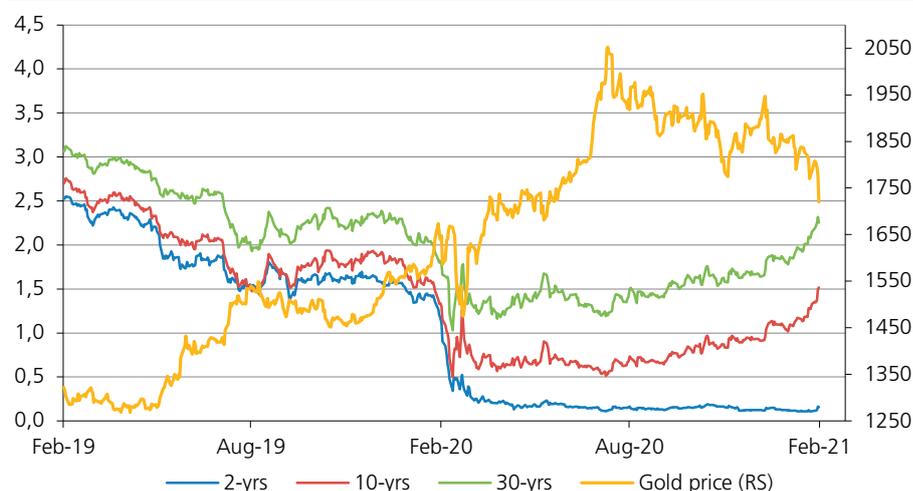
This is a short summary of our fortnightly **Degussa Marktreport**.

# INTEREST RATES ARE TO THE PRICE OF GOLD WHAT GRAVITY IS TO THE APPLE

The gold price reached an all-time high of 2,047.55 USD/oz on August 5, 2020. Since then, it has fallen approximately 20 per cent by the beginning of March 2021. The decline may have caught quite a few precious metals investors (including the author) off guard. In hindsight, it is quite obvious what caused the gold price decline: interest rates. As shown in the chart below, US capital market yields started rising around August 2020, accompanied by a falling gold price.

### 1 Interest rates up, gold price down

US interest rates in per cent and gold price (USD/oz)

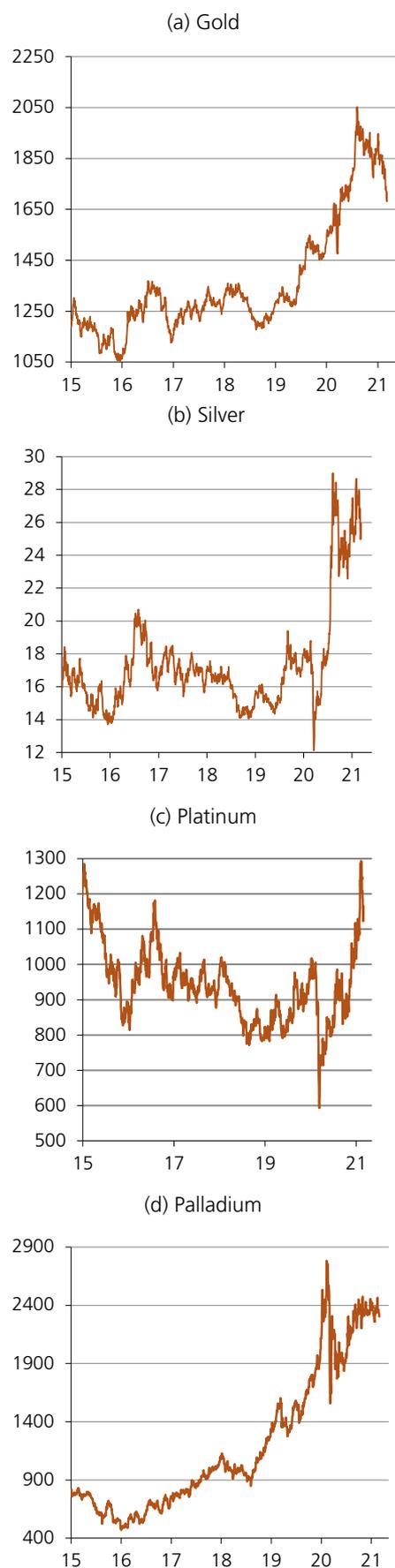


Source: Refinitiv; graph Degussa.

Generally speaking, higher interest rates increase the cost of holding gold, as the investor foregoes income he could earn by investing in, for example, short- and long-term government bonds. That said, one would expect that rising interest rates lead to a decline in the demand for gold and, other things being equal, a lower gold price; institutional investors, in particular, tend to be quite squeamish when it comes to changes in interest rates.

This explanation seems to be borne out quite nicely in the latest demand for gold Exchange Traded Funds (ETFs). In mid-October 2020, worldwide gold ETFs reached a record inventory of just over 3.900 tonnes. However, by the end of February 2021, said inventory had dropped to around 3.680 tonnes. Of course,

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



Source: Refinitiv; graphs by Degussa.

additional factors may have been at work. As things stand, however, the interest rate environment can be expected to play a very important role for the price of gold at this point.

The key question is: How high will the interest rates go? The answer to this question, of course, lies with the Federal Reserve (Fed). The Fed's most pressing concerns are to keep the economy going and to prevent the debt pyramid from collapsing. Against this backdrop, the consideration of higher interest rates does not seem to be on the Fed's wish list. At the same time, maintaining the world's confidence in the Greenback may require somewhat higher rates at some point.

However, the interest rate environment does not necessarily have to continue to pose a challenge to the price of gold. In fact, we would consider the current price of gold to be relatively cheap – when compared with, for instance, the expansion of the money stock (see figure 2). Of course, it cannot be ruled out that the gold price might experience further setbacks in the short run. However, for long-term investors, we believe that the current gold price offers an attractive risk-return profile.

As economies appear to be recovering from politically dictated lockdowns and stock markets are rising sharply, investors should not lose sight of the fact that the ongoing recovery is fuelled by an unprecedented monetary stimulus and serious manipulation of the credit market. It would be a surprise if the currently pursued policies did not create new problems, such as stimulating overconsumption and malinvestment, which will cause major shocks further down the road.

## 2 Interest rates up, gold price down

US money stock M2 (US-dollar bn) and gold price (USD/oz)



Source: Refinitiv; graph Degussa. Dotted line: Assuming the Fed monetizes the 1.9 trillion US dollar fiscal package.

As history has convincingly shown, gold acts as portfolio insurance. It cannot be debased by central banks running the printing presses and is not subject to default like bank deposits. When is the best time to buy insurance? The answer is in good times when people feel that central banks will successfully fend off any potentially developing crisis! Those times are already here, or at least we are edging ever closer.

## PRECIOUS METALS PRICES

In US-Dollar per ounce

	Gold		Silver		Platinum		Palladium	
<b>I. Actual</b>	<b>1724.6</b>		<b>26.2</b>		<b>1202.6</b>		<b>2301.8</b>	
II. Gliding averages								
10 days	1730.1		26.4		1186.3		2357.0	
20 days	1768.9		26.9		1221.5		2363.7	
50 days	1823.6		26.5		1146.5		2358.2	
100 days	1845.4		25.5		1049.8		2350.7	
200 days	1860.4		24.2		965.8		2247.9	
<b>III. Estimates for end 2021</b>	<b>2448</b>		<b>47</b>		<b>1272</b>		<b>2710</b>	
<sup>(1)</sup>	42		80		6		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>
	1750	2684	23.0	55.1	950	1472	2280	2910
<sup>(1)</sup>	1	56	-12	111	-21	22	-1	26
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

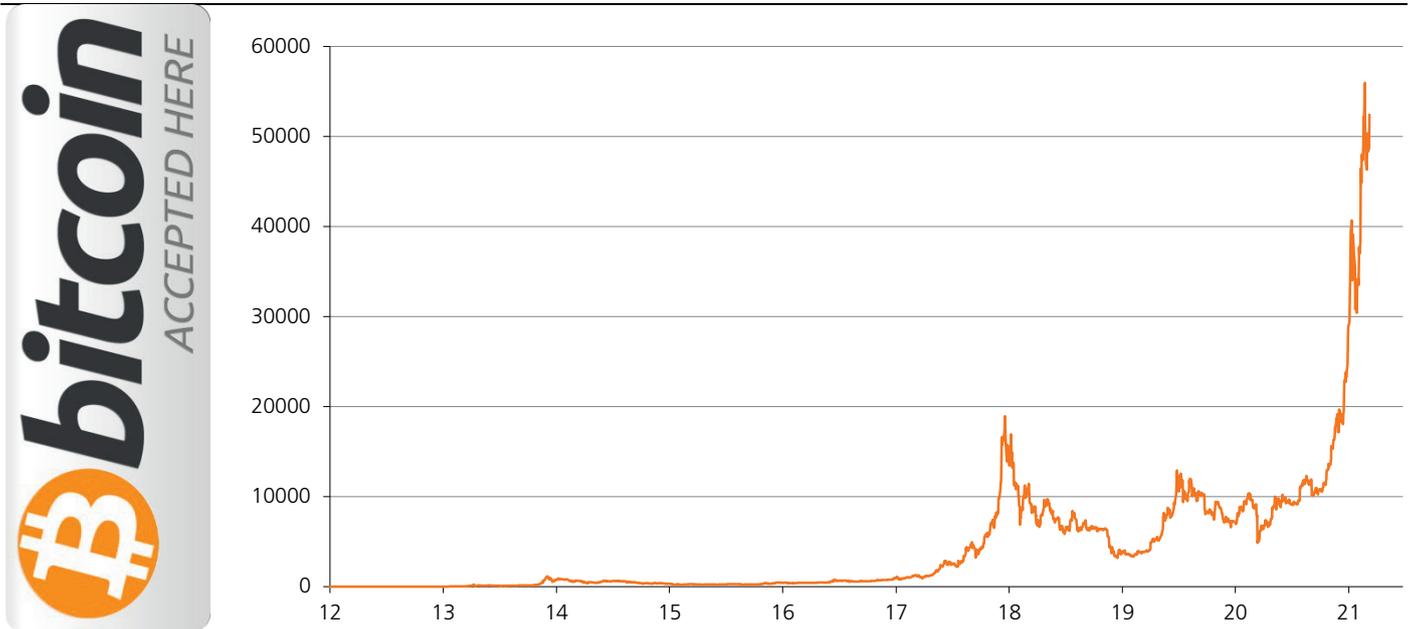
	Gold		Silver		Platinum		Palladium	
<b>I. Actual</b>	<b>1446.9</b>		<b>22.0</b>		<b>1009.0</b>		<b>1931.2</b>	
II. Gliding averages								
10 days	1437.3		21.9		985.4		1958.2	
20 days	1464.6		22.3		1011.3		1957.3	
50 days	1504.7		21.9		946.3		1946.0	
100 days	1533.1		21.1		871.2		1952.7	
200 days	1573.3		20.4		814.9		1898.6	
<b>III. Estimates for end 2021</b>	<b>2044</b>		<b>39</b>		<b>1062</b>		<b>2263</b>	
<sup>(1)</sup>	41		79		5		17	
<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>
	1470	2260	19.0	46.6	800	1240	1920	2450
<sup>(1)</sup>	2	56	-13	112	-21	23	-1	27
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.

<sup>(1)</sup> On the basis of actual prices.

# BITCOIN, PERFORMANCE OF VARIOUS ASSET CLASSES

## Bitcoin in US dollars

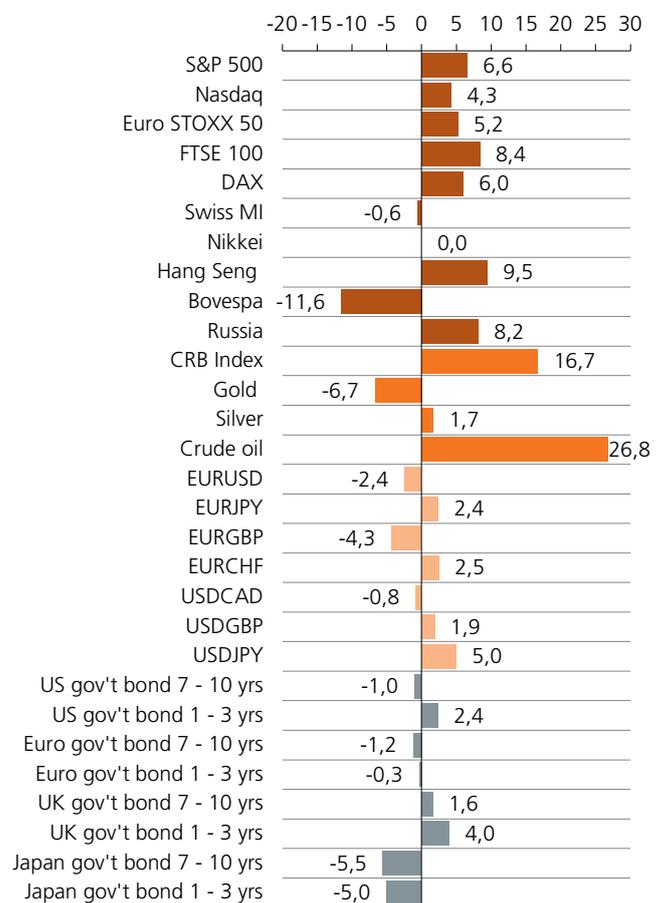
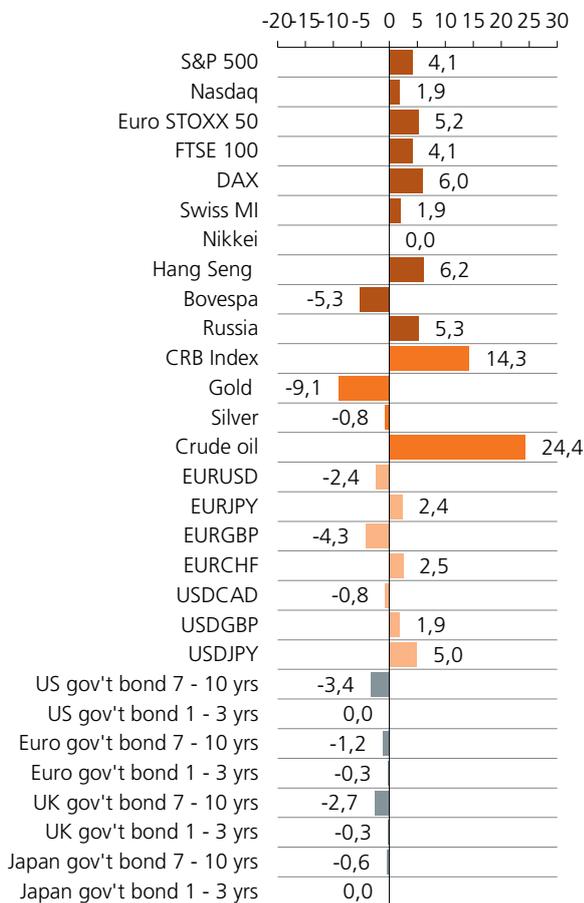


Source: Refinitiv; graph by Degussa.

## 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
11 March 2021	Interest Rates are to the Price of Gold What Gravity is to the Apple
25 February 2021	The Dangers Of Digital Central Bank Money
11 February 2021	Gold Is Not In Bubble Territory
28 January 2021	It Is High Time To Buy Gold And Silver
14 January 2021	The Great Gold And Silver Bull Market Is On
17 December 2020	Gold Against US-Dollar Risk. A Value Proposition
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

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GOLD UND SILBER.

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