

8 April 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	1.742.9	-0.1	-8.1	3.7
Silver	25.2	-4.0	-4.4	67.7
Platinum	1.223.1	2.2	14.7	58.4
Palladium	2.617.6	-0.7	6.9	33.6
<b>II. In euro</b>				
Gold	1.467.9	0.2	-5.5	-4.6
Silver	21.2	-3.6	-1.5	55.5
Platinum	1.030.2	2.7	17.8	46.1
Palladium	2.205.0	-0.5	10.1	23.3
<b>III. Gold price in other currencies</b>				
JPY	190.876.0	0.5	-2.6	5.6
CNY	11.416.6	0.6	-7.8	-4.1
GBP	1.268.5	0.9	-8.6	-5.2
INR	130.244.4	1.9	-6.0	2.9
RUB	134.379.1	4.0	-4.1	7.3

Source: Refinitiv; calculations by Degussa.

## OUR TOP ISSUES

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

## ON PRECIOUS METALS 2021 PRICE FORECAST

The LBMA Webinar "2021 Price Forecast Review" took place on 1 April 2021. Moderator Frederic Panizzutti (MKS Switzerland) hosted Rhona O'Connell (Stone X), René Hochreiter (Sieberana Research) and Thorsten Polleit (Degussa) for a discussion of the key factors and drivers underpinning their precious metals price forecasts for 2021. For the video, please click [here](#).

LBMA Webinars



## LBMA 2021 Price Forecast Review

Free Webinar Thursday 1 April 12:00PM BST

**Host:**  
Frederic Panizzutti  
MKS Switzerland









René Hochreiter  
Sieberana Research

Rhona O'Connell  
StoneX

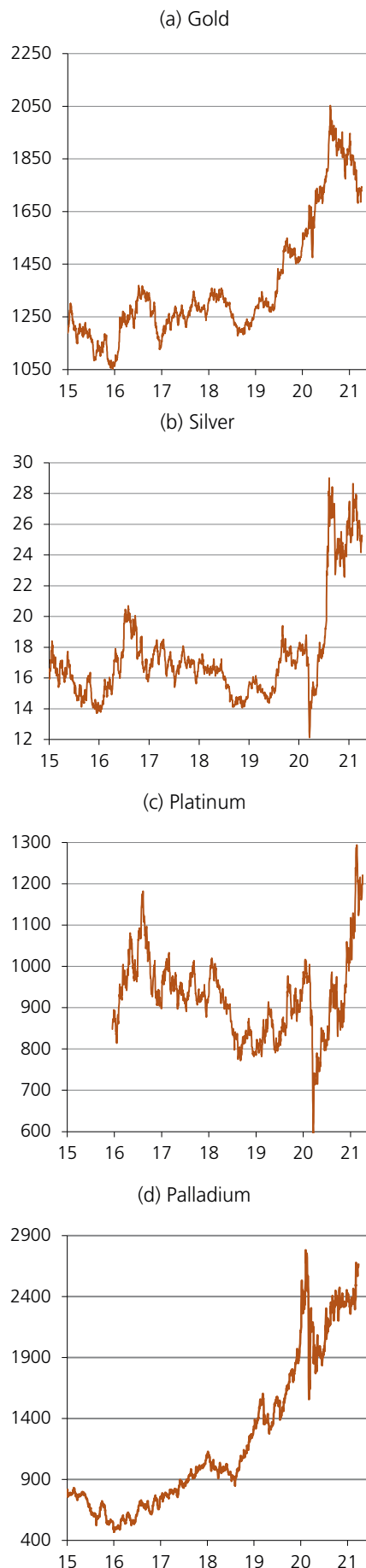
Thorsten Polleit  
Degussa

In this context, we would like to add some remarks on the relationship between the price of gold and interest rates. In general, one would expect a negative relationship between the two. That is, if interest rates rise (fall), the price of gold should go down (go up). The reason being is that interest rates represent (one type of) opportunity costs: When you are holding gold, you forgo income you could possibly earn from holding coupon-bearing securities.

In a world where people are not fooled by "money illusion", real (i.e. inflation-adjusted) rather than nominal interest rates matter. Because what people are interested in is real rather than nominal income. If the interest rate is, say, 10 per cent, and price inflation is 20 per cent, the real interest rate is a negative 10 per cent; if, however, the interest rate is, say, 2 per cent and price inflation is 0.5 per cent, the real interest rate is 1.5 per cent.

If you own gold: Do short-term or long-term interest rates (in real terms) matter? Once you consider gold as a substitute for short-term bank deposits (as a monetary substitute), short-term rather than long-term rates should represent your relevant opportunity costs. What about the argument that gold is a "long-

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



Source: Refinitiv; graphs by Degussa.

term play", and its relevant opportunity costs being represented by long-term yields (in real terms)?

Suppose today's ten-year nominal yield on government bonds is, say, 2 per cent. Current CPI inflation is, say, 1.5 per cent, so the bond's real yield is 0.5 per cent. Does that mean that you lock in a 0.5 real return per annum if you buy the bond today? The answer is no. Because such an assumption actually implies that you can re-invest all the coupon payments at a real rate of 0.5 per cent. But is that a reasonable assumption?

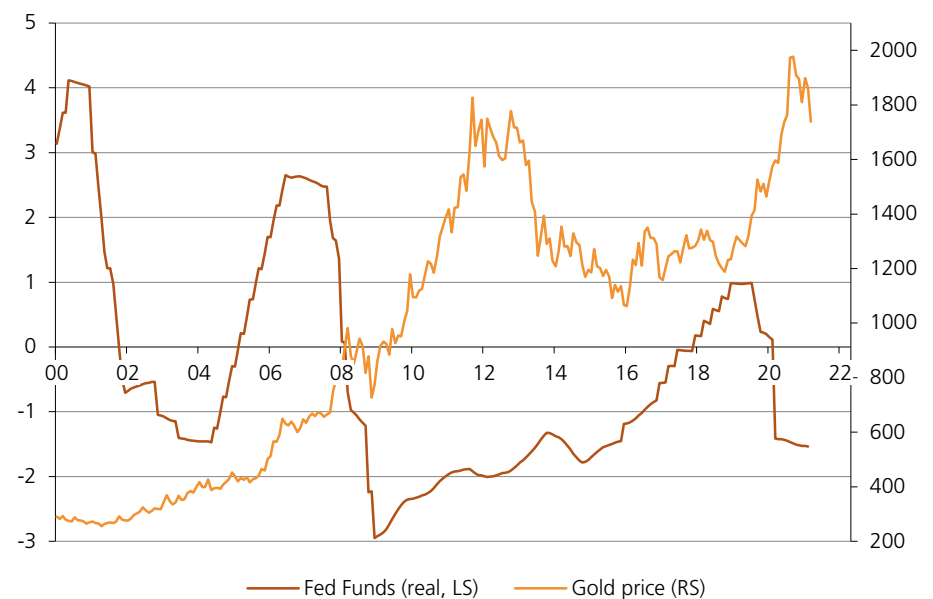
It is not. Because CPI inflation could rise in the years to come, which would reduce your real rate of return, and it could even turn it into a negative real return. Also in this context, one can have serious doubts that CPI is the "correct" measure for the decline in the purchasing power of money. This is, for instance, because CPI does not include asset prices and therefore ignores asset price inflation, which contributes to the erosion of the purchasing power of money.

What is more, the central bank may not set its short-term rate in the future as it is expected today. It may reduce the short-term interest rate, or it may not raise it to the level implied by today's nominal bond yields. This, in turn, would also result in an ex-post real interest rate that is perhaps (much, much) lower than what today's bond yield implies. In other words, you are well-advised to question current spot interest rates as an unbiased predictor of future long-term (real) interest rates.

The experience in recent years has demonstrated that bond markets have virtually always overestimated the level of the Fed's short-term interest rates: While markets expected short-term interest rates to rise, the Fed had actually cut them. That said, bond investors can be expected to have been widely disappointed as far as their ex-post real yields were concerned. Reality may even have delivered them negative real yields.

### 1 Gold price and real short-term interest rate

Gold price (USD/oz) and real US Federal Funds Rate\*



Source: Refinitiv; calculations Degussa. \* Nominal rate minus 5-year average of the annual change in the consumer price index (in per cent).

---

We argue that there are good reasons for precious metals investors to focus on short-term real interest rates as their relevant, their "true" opportunity cost factor. US real short-term yields, calculated on the basis of CPI, averaged *minus* 0.40 per cent in the period January 2000 to February 2021. From August 2008 until today, the average was *minus* 1.2 per cent.

Given the grave problems in the international financial architecture and economic system, chances are that short-term interest rates in real terms will remain negative or fall even further into negative territory.

This, in turn, is a strong argument for holding physical gold and silver as part of your portfolio. At current prices, holding physical gold and silver is a great way to reduce your portfolio risks while contributing to a higher portfolio return.

## PRECIOUS METALS PRICES

In US-Dollar per ounce

	Gold		Silver		Platinum		Palladium	
<b>I. Actual</b>	<b>1742.3</b>		<b>25.2</b>		<b>1223.9</b>		<b>2616.4</b>	
II. Gliding averages								
10 days	1723.9		24.8		1193.3		2626.7	
20 days	1726.8		25.3		1193.8		2578.1	
50 days	1763.1		26.3		1191.1		2436.4	
100 days	1809.9		25.7		1114.5		2397.5	
200 days	1859.2		25.0		1005.0		2315.8	
<b>III. Estimates for end 2021</b>	<b>2448</b>		<b>47</b>		<b>1272</b>		<b>2710</b>	
<sup>(1)</sup>	41		87		4		4	
Band width	Low	High	Low	High	Low	High	Low	High
	1750	2684	23.0	55.1	950	1472	2280	2910
<sup>(1)</sup>	0	54	-9	119	-22	20	-13	11
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

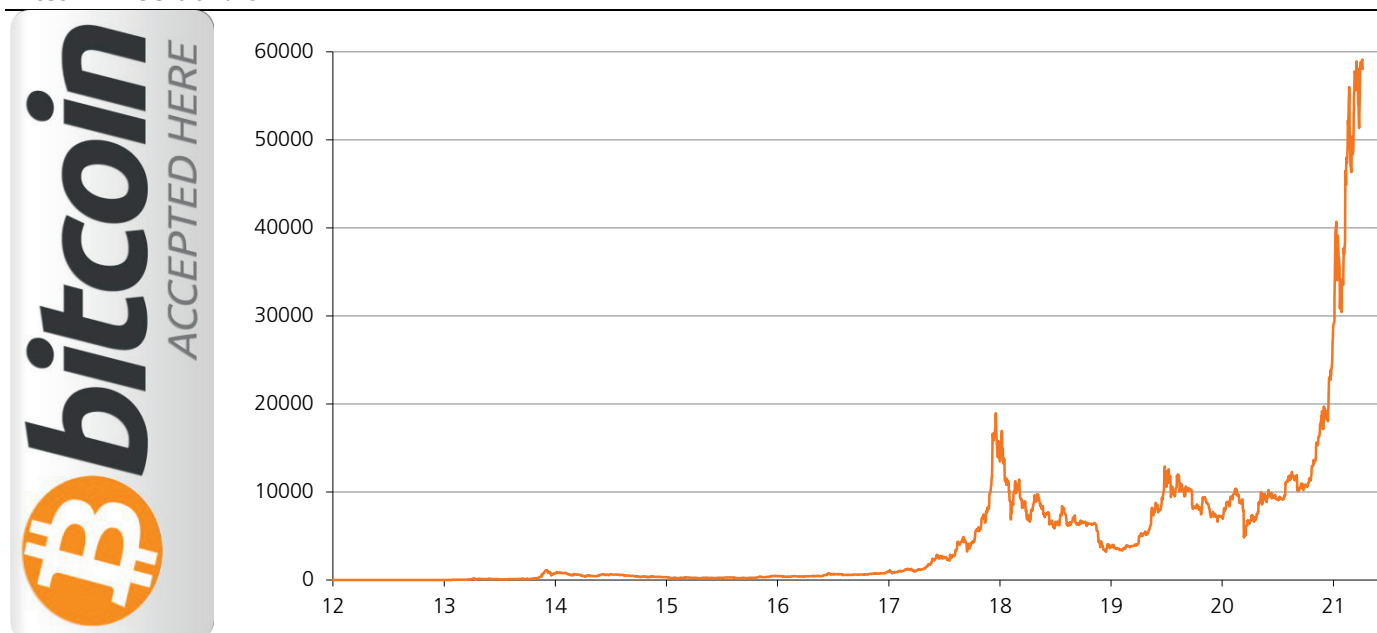
	Gold		Silver		Platinum		Palladium	
<b>I. Actual</b>	<b>1467.8</b>		<b>21.2</b>		<b>1031.1</b>		<b>2204.2</b>	
II. Gliding averages								
10 days	1462.5		21.1		1012.3		2228.4	
20 days	1457.5		21.4		1007.6		2176.3	
50 days	1471.7		21.9		994.4		2035.2	
100 days	1501.5		21.3		925.1		1990.2	
200 days	1564.3		21.0		844.3		1947.2	
<b>III. Estimates for end 2021</b>	<b>2044</b>		<b>39</b>		<b>1062</b>		<b>2263</b>	
<sup>(1)</sup>	39		85		3		3	
Band width	Low	High	Low	High	Low	High	Low	High
	1470	2260	19.0	46.6	800	1240	1920	2450
<sup>(1)</sup>	0	54	-10	119	-22	20	-13	11
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.

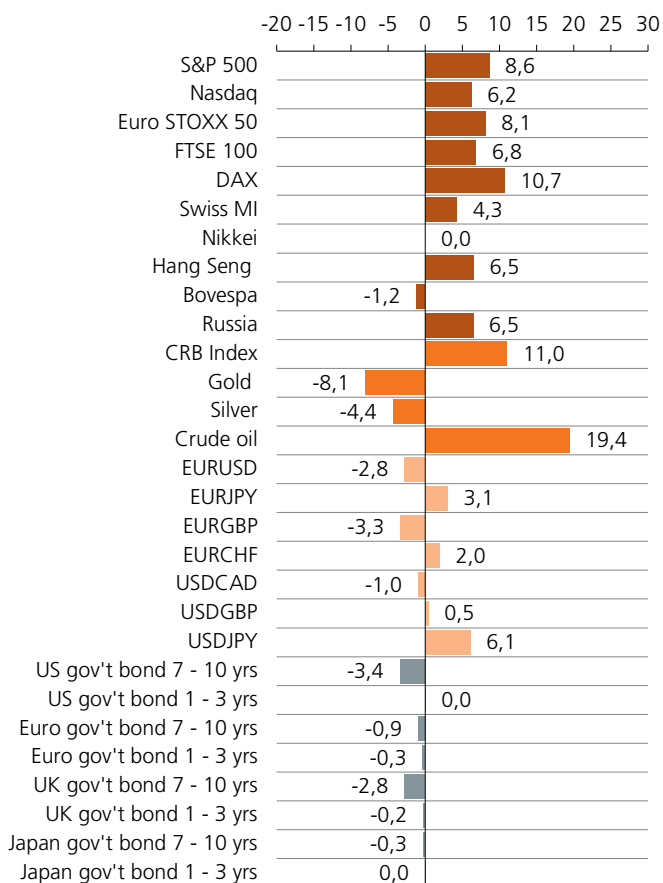
## BITCOIN, PERFORMANCE OF VARIOUS ASSET CLASSES

### Bitcoin in US dollars

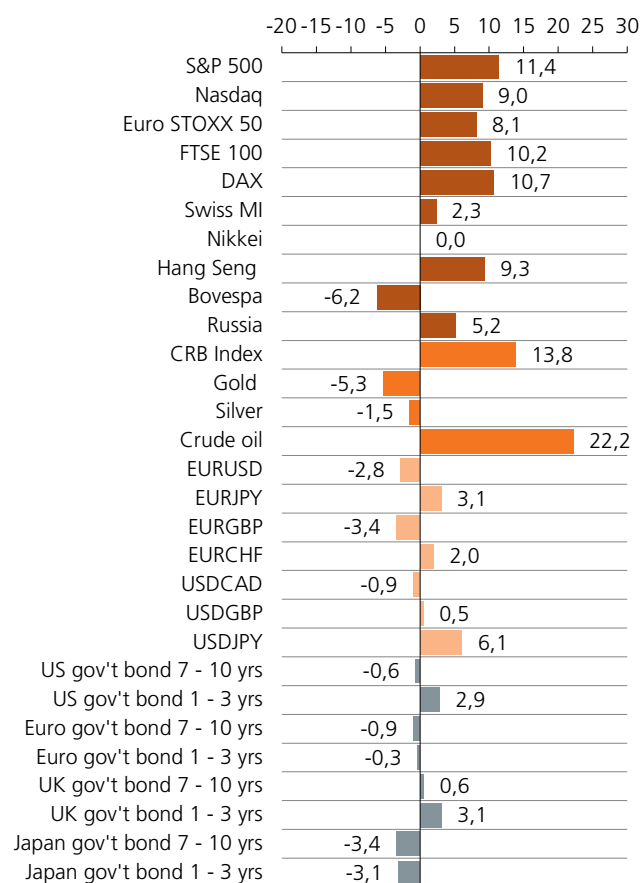


### Performance of stocks, commodities, FX and bonds

(a) In national currencies



(b) In euro



Source: Refinitiv; calculations by Degussa.

**Articles in earlier issues of the *Degussa Market Report***

Issue	Content
8 April 2021	On Precious Metal 2021 Price Forecasts
25 March 2021	Money Matters For Gold And Silver Prices
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

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

## Disclaimer

Degussa Goldhandel GmbH, Frankfurt am Main, is responsible for creating this document. The authors of this document certify that the views expressed in it accurately reflect their personal views and that their compensation was not, is not, nor will be directly or indirectly related to the recommendations or views contained in this document. The analyst(s) named in this document are not registered / qualified as research analysts with FINRA and are therefore not subject to NASD Rule 2711.

This document serves for information purposes only and does not take into account the recipient's particular circumstances. Its contents are not intended to be and should not be construed as an offer or solicitation to acquire or dispose of precious metals or securities mentioned in this document and shall not serve as the basis or a part of any contract.

The information contained in this document was obtained from sources that Degussa Goldhandel GmbH holds to be reliable and accurate. Degussa Goldhandel GmbH makes no guarantee or warranty with regard to correctness, accuracy, completeness or fitness for a particular purpose.

All opinions and views reflect the current view of the author or authors on the date of publication and are subject to change without notice. The opinions expressed herein do not necessarily reflect the opinions of Degussa Goldhandel GmbH. Degussa Goldhandel GmbH is under no obligation to update, modify or amend this document or to otherwise notify its recipients in the event that any circumstance mentioned or statement, estimate or forecast set forth in this document changes or is subsequently rendered inaccurate.

The past performance of financial instruments is not indicative of future results. No assurance can be given that any views described herein would yield favorable returns on investments. There is the possibility that said forecasts in this document may not come to pass owing to various risk factors. These include, without limitation, market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information and/or the circumstance that underlying assumptions made by Degussa Goldhandel GmbH or by other sources relied upon in the document should prove inaccurate.

Neither Degussa Goldhandel GmbH nor any of its directors, officers or employees shall be liable for any damages arising out of or in any way connected with the use of this document and its content.

Any inclusion of hyperlinks to the websites of organizations in this document in no way implies that Degussa Goldhandel GmbH endorses, recommends or approves of any material on or accessible from the linked page. Degussa Goldhandel GmbH assumes no responsibility for the content of and information accessible from these websites, nor for any consequences arising from the use of such content or information.

This document is intended only for use by the recipient. It may not be modified, reproduced, distributed, published or passed on to any other person, in whole or in part, without the prior, written consent of Degussa Goldhandel GmbH. The manner in which this document is distributed may be further restricted by law in certain countries, including the USA. It is incumbent upon every person who comes to possess this document to inform themselves about and observe such restrictions. By accepting this document, the recipient agrees to the foregoing provisions.

### Imprint

Marktreport is published every 14 days on Thursdays and is a free service provided by Degussa Goldhandel GmbH.

**Deadline for this edition:** 8 April 2021

**Publisher:** Degussa Goldhandel GmbH, Kettenhofweg 29, 60325 Frankfurt, Tel.: (069) 860068-0, Fax: (069) 860068-222

E-Mail: [info@degussa-goldhandel.de](mailto:info@degussa-goldhandel.de), Internet: [www.degussa-goldhandel.de](http://www.degussa-goldhandel.de)

**Editor in chief:** Dr. Thorsten Polleit

**Degussa Market Report is available on the Internet at:** <http://www.degussa-goldhandel.de/marktreport/>



### Frankfurt Headquarters

Kettenhofweg 29 · 60325 Frankfurt  
Phone: 069-860 068 – 0 · [info@degussa-goldhandel.de](mailto: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](mailto:augsburg@degussa-goldhandel.de)

**Berlin** (shop & showroom): Fasanenstraße 70 · 10719 Berlin  
Phone: 030-8872838 – 0 · [berlin@degussa-goldhandel.de](mailto:berlin@degussa-goldhandel.de)

**Düsseldorf** (Old Gold Centre): In der KÖ Galerie  
Königsallee 60 / Eingang Steinstraße · 40212 Düsseldorf  
Phone: 0211-13 06 858 – 0 · [duesseldorf@degussa-goldhandel.de](mailto:duesseldorf@degussa-goldhandel.de)

**Frankfurt** (shop & showroom): Kettenhofweg 25 · 60325 Frankfurt  
Phone: 069-860 068 – 100 · [frankfurt@degussa-goldhandel.de](mailto:frankfurt@degussa-goldhandel.de)

**Hamburg** (shop & showroom): Ballindamm 5 · 20095 Hamburg  
Phone: 040-329 0872 – 0 · [hamburg@degussa-goldhandel.de](mailto:hamburg@degussa-goldhandel.de)

**Hanover** (shop & showroom): Theaterstraße 7 · 30159 Hanover  
Phone: 0511-897338 – 0 · [hannover@degussa-goldhandel.de](mailto:hannover@degussa-goldhandel.de)

**Cologne** (shop & showroom): Gereonstraße 18-32 · 50670 Cologne  
Phone: 0221-120 620 – 0 · [koeln@degussa-goldhandel.de](mailto:koeln@degussa-goldhandel.de)

**Munich** (shop & showroom): Promenadeplatz 12 · 80333 Munich  
Phone: 089-13 92613 – 18 · [muenchen@degussa-goldhandel.de](mailto:muenchen@degussa-goldhandel.de)

**Munich** (Old Gold Centre): Promenadeplatz 10 · 80333 Munich  
Phone: 089-1392613 – 10 · [muenchen-altgold@degussa-goldhandel.de](mailto:muenchen-altgold@degussa-goldhandel.de)

**Nuremberg** (shop & showroom): Prinzregentenauer 7 · 90489 Nuremberg  
Phone: 0911-669 488 – 0 · [nuernberg@degussa-goldhandel.de](mailto:nuernberg@degussa-goldhandel.de)

**Pforzheim** (refinery): Freiburger Straße 12 · 75179 Pforzheim  
Phone: 07231-58795 – 0 · [pforzheim@degussa-goldhandel.de](mailto:pforzheim@degussa-goldhandel.de)

**Stuttgart** (shop & showroom): Kronprinzstraße 6 · 70173 Stuttgart  
Phone: 0711-305893 – 6 · [stuttgart@degussa-goldhandel.de](mailto: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](mailto:zuerich@degussa-goldhandel.ch)

**Geneva** (shop & showroom): Quai du Mont-Blanc 5 · 1201 Genève  
Phone: 0041-22 908 14 00 · [geneve@degussa-goldhandel.ch](mailto:geneve@degussa-goldhandel.ch)

**Madrid** (shop & showroom): Calle de Velázquez 2 · 28001 Madrid  
Phone: 0034-911 982 900 · [info@degussa-mp.es](mailto:info@degussa-mp.es)

**London** Sharps Pixley Ltd. (member of the Degussa Group)  
Phone: 0044-207 871 0532 · [info@sharpspixley.com](mailto:info@sharpspixley.com)