

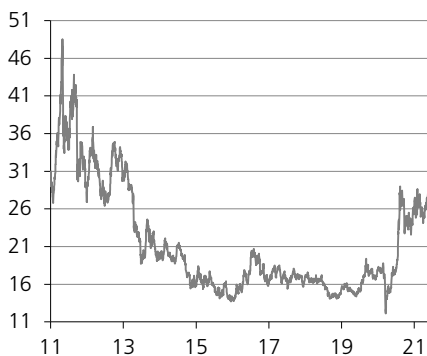
2 June 2021

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
I. In US-dollar				
Gold	1.903.3	3.3	2.3	9.4
Silver	28.0	2.0	-3.5	53.0
Platinum	1.183.5	-3.4	5.0	39.6
Palladium	2.847.0	-1.6	26.8	45.2
II. In euro				
Gold	1.560.9	2.9	1.2	-0.1
Silver	22.9	1.5	-4.7	39.6
Platinum	970.6	-3.9	3.7	27.4
Palladium	2.335.0	-1.9	25.4	32.0
III. Gold price in other currencies				
JPY	208.758.0	3.6	7.0	11.6
CNY	12.128.7	2.2	0.8	-2.1
GBP	1.342.1	2.7	-1.4	-3.6
INR	138.074.0	1.9	1.5	5.1
RUB	139.709.9	2.7	-1.2	16.5

Source: Refinitiv; calculations by Degussa.

OUR TOP ISSUES

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

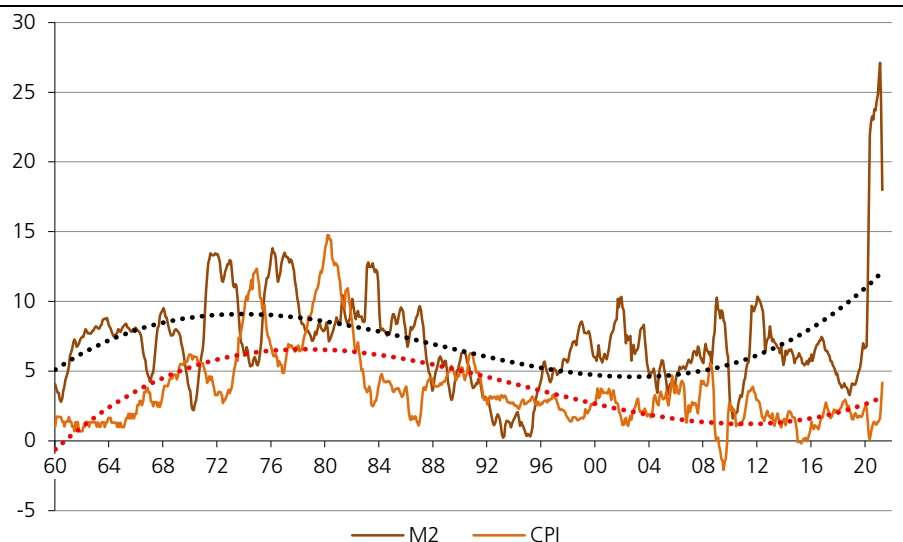
GOLD AND INFLATION

We live in times of inflation. The US dollar, euro, Chinese renminbi, the British pound and all other currencies in the world represent unbacked paper money, or *fiat* money. They are created “out of nothing” through central bank and commercial bank credit expansion. The relentless increase in the quantity of fiat money leads to inflation, the loss of money’s purchasing power. The latter is well documented in rising consumer goods and/or asset prices – such as, for instance, rising prices for stocks, bonds, real estate, art etc.

Over the past decades, consumer goods price inflation has been on the decline in most major economies worldwide. Asset price inflation, however, has been driven higher. Taken together, there is good reason to believe that overall inflation of prices of goods was well above the official rise in consumer price indices. In other words: The loss of purchasing power of fiat monies was presumably (much) higher than people think. Fortunately, the monetary policy consequences of dealing with the coronavirus crisis may well become an eye-opener.

1 Higher money growth, higher goods price inflation

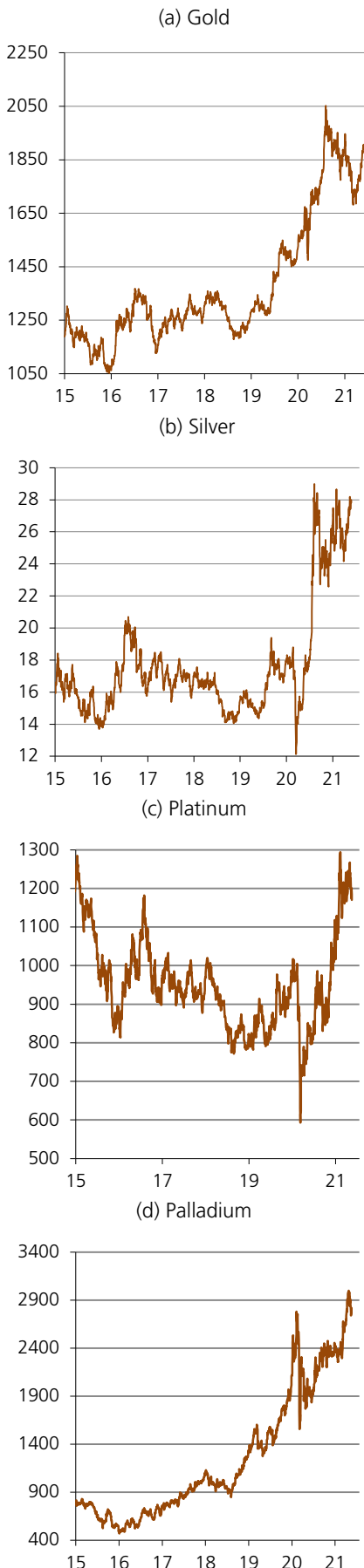
Annual increases in US M2 and US consumer prices in per cent*



Source: Refinitiv; calculations Degussa. Dotted lines represent estimated trend lines.

Not only did central banks slash interest rates to basically zero per cent, but they also increased the money supply significantly. Monetary inflation was, and still is, considered the policy of the least evil. It helps keep financially struggling governments and banks afloat, and it also makes it possible to cover up the disastrous effects of the forced standstill in economic activity. New money is

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



Source: Refinitiv; graphs by Degussa.

printed and paid out to people who have lost their jobs and firms that had to cease operations.

The chances that things will return to normal anytime soon are relatively slim. Once monetary inflation has begun, it gets harder and harder to stop it. Governments like the ability to run into debt at extremely low borrowing costs; firms whose sales (at least initially) benefit from increased nominal demand wouldn't want the central bank to take away the punch bowl; nor do private consumers who (at least initially) enjoy high levels of consumption on easy credit; the same applies for financial markets, as the low interest rate environment is driving asset prices up.

In other words: It is unlikely that central banks will act, i.e. put an end to their inflationary policies, before the costs of price inflation materialise, meaning they will not change course before the damage is done and becomes increasingly obvious. However, even then, a return to a stricter monetary policy is by no means a done deal, as the overall indebtedness has reached new highs: The Institute of International Finance (*IIF*) estimates that the total global debt has reached 289 trillion US dollar in the first quarter of 2021, that is 360 per cent of the global gross domestic product.

In fact, the sky-high level of global debt has severely limited the degree of freedom of central banks' monetary policy. All the more so since in the course of an inflation policy, the benefits (preventing state and bank defaults, maintaining an illusory boom etc.) come first, and the costs of an inflation policy (rising prices, malinvestment, public outrage etc.) appear later. So, given current developments, it is very likely that soaring inflation will become a rather serious problem, especially for money holders.

Holding physical gold (and some physical silver) is a strategy to protect yourself against the devaluation of fiat currencies. The amount of gold cannot be increased based on political expediency. Its exchange value cannot be reduced through central banks' money-printing schemes, and it does not carry a default or counterparty risk as bank deposits do. Gold is a time-tested kind of "sound money". Given the growing uncertainties surrounding economic and financial developments around the world, holding at least some physical gold makes a lot of sense. .

PRECIOUS METALS PRICES

In US-Dollar per ounce

	Gold		Silver		Platinum		Palladium	
I. Actual	1903.8		27.9		1183.2		2846.1	
II. Gliding averages								
10 days	1883.7		27.9		1195.8		2824.2	
20 days	1849.9		27.5		1214.2		2875.9	
50 days	1789.4		26.3		1205.6		2788.4	
100 days	1792.2		26.3		1184.8		2578.6	
200 days	1842.3		25.7		1063.1		2454.4	
III. Estimates for end 2021	2448		47		1272		2710	
⁽¹⁾	29		69		8		-5	
<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
⁽¹⁾	-8	41	-18	97	-20	24	-20	2
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

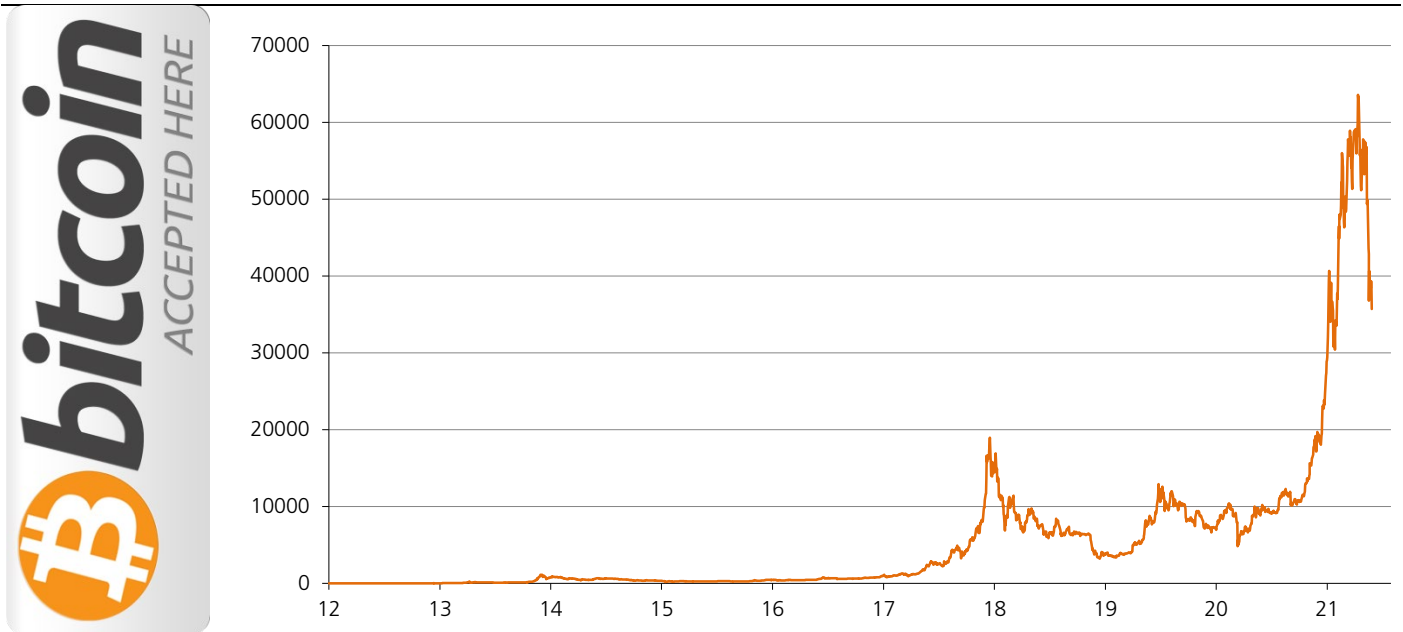
	Gold		Silver		Platinum		Palladium	
I. Actual	1561.6		22.9		970.5		2334.6	
II. Gliding averages								
10 days	1543.4		22.9		979.8		2314.1	
20 days	1522.6		22.6		999.6		2367.7	
50 days	1489.4		21.9		1003.8		2320.8	
100 days	1488.7		21.9		984.4		2142.3	
200 days	1538.9		21.4		887.0		2049.3	
III. Estimates for end 2021	2044		39		1062		2263	
⁽¹⁾	31		72		9		-3	
<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
⁽¹⁾	-6	45	-17	103	-18	28	-18	5
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.

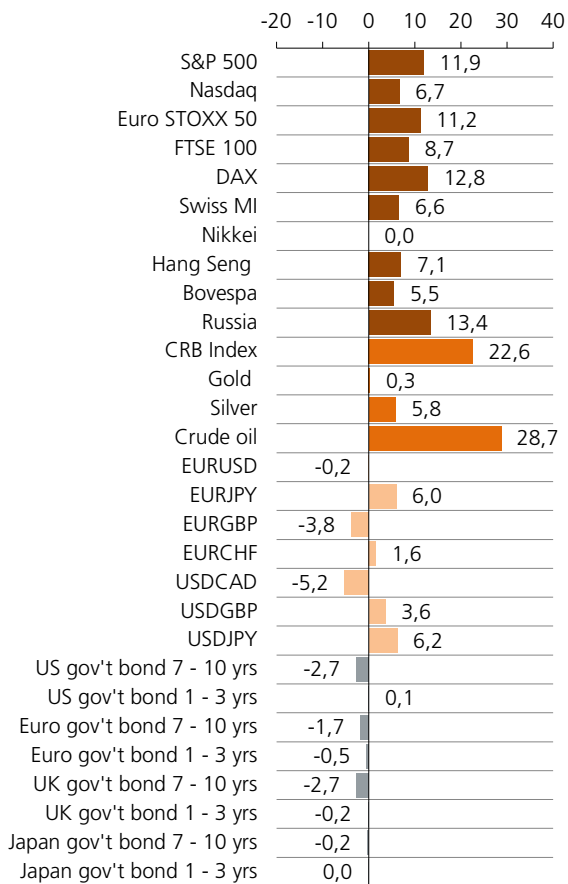
BITCOIN, PERFORMANCE OF VARIOUS ASSET CLASSES

Bitcoin in US dollars

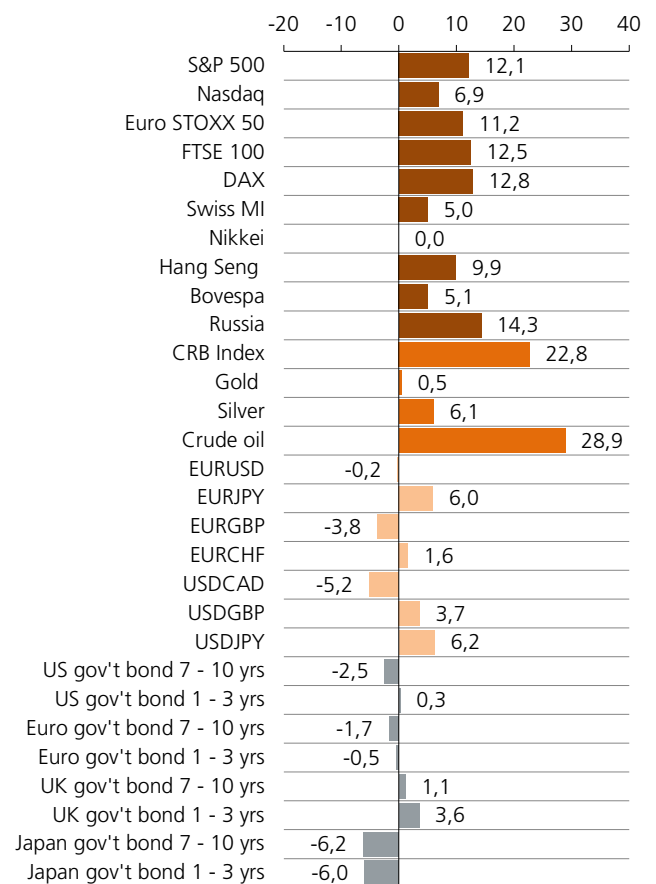


Performance of stocks, commodities, FX and bonds

(a) In national currencies



(b) In euro



Source: Refinitiv; calculations by Degussa.

Articles in earlier issues of the *Degussa Market Report*

Issue	Content
2 June 2021	Gold And Inflation
20 May 2021	The Price Correction In The Crypto Space Is Not The End ...
6 May 2021	The Dark Side of the Yield Curve Control Policy
22 April 2021	Bitcoin and the Golden Opportunity
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

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

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