Degussa Market Report

17 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	1.811.2	-4.8	5.1	1.7
Silver	26.9	-3.6	1.4	48.3
Platinum	1.113.3	-5.5	-6.0	36.3
Palladium	2.770.3	-2.0	17.9	43.5
II. In euro				
Gold	1.513.7	-3.0	5.8	-4.5
Silver	22.5	-1.8	2.1	38.8
Platinum	930.4	-3.9	-5.4	27.6
Palladium	2.315.0	0.0	18.5	34.8
III. Gold price in other currencies				
JPY	200.207.0	-4.3	8.8	4.2
CNY	11.640.2	-3.9	4.4	-7.4
GBP	1.294.3	-3.5	4.5	-9.8
INR	133.682.5	1.9	5.6	-0.6
RUB	131.187.6	-5.6	2.5	3.7

Source: Refinitiv; calculations by Degussa.

OUR TOP ISSUES

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

GOLD AGAINST NEGLECTED RISKS

On June 10, 2021, the US inflation figures were determined for May 2021. They showed that annual US consumer price inflation was 5 per cent, the highest level in 13 years, up from 4.2 per cent in the previous month. In addition, the 'core consumer price index' rose 3.8 per cent compared to last year, the highest jump in almost three decades. While the inflation figures were higher than expected, financial markets have reacted quite calmly. Or so it seems. US interest rates barely moved; in fact, they fell slightly – which is not what you would expect if and when investors fear a surge in inflation; likewise, the prices of gold and silver went down following the CPI release on June 10.

Perhaps investors had expected even higher inflation so that the data release provided some kind of relief and encouraged them to buy into the bond market? Or investors expect inflation not to be a real problem, that it will turn out to be temporary so that bonds at current prices are a bargain. Or is something else at work? It cannot be dismissed out of hand that the Federal Reserve is intervening and buying bonds to prevent interest rates from rising, as this not only channels new money into the Treasury's coffers but actively depresses market interest rates.

Such a policy is known as "yield curve control". A central bank can put it into practice quite easily, with or without an official announcement. Given its unrestricted buying power, the central bank can signal its intentions to the trading desks of big banks and hedge funds, thereby effectively inducing the market to keep interest rates at the politically desired level. It would not be surprising if the Fed had already unofficially introduced some kind of yield curve control regime. It is certainly not too far-fetched to suggest that the bond market has become something of a 'fake market' if that's the case.

A market in which interest rates no longer reflect the real growth and inflation expectations of market players but are predominantly driven by the expectation of the interest rate the central bank wants to set – an interest rate that does not correspond to economic reality but is set according to the financial needs of the government. That said, we should not be surprised that interest rates have not gone up with the rise in price inflation. And under the current monetary policy, it seems unlikely that interest rates will be increased any time soon.

To be more precise: Interest rates in real – that is, in inflation-adjusted – terms are unlikely to return to positive territory anytime soon. The level of debt – not only in the US, by the way, but also in many other parts of the world – has simply grown too high for the Fed to be in a position to bring real interest rates

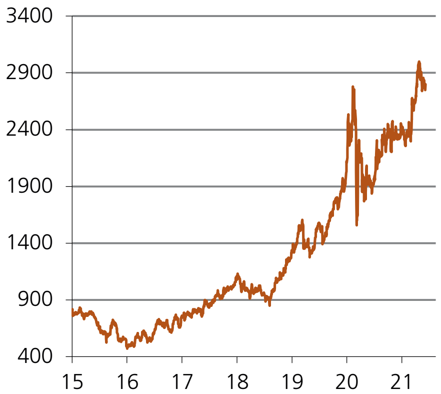
Precious metal prices in the last six years (USD/oz)

(a) Gold

(b) Silver

(c) Platinum

(d) Palladium



Source: Refinitiv; graphs by Degussa.

back up and above the zero line. The Fed may opt for some tapering at some point (thereby allowing long-term yields to rise and the yield curve to steepen somewhat), but it is unlikely that short-term yields will return to 'real' yields again anytime soon.

It is an outlook that does not bode well. Artificially suppressed interest rates, let alone negative real interest rates, cause problems: overconsumption, price misalignments in financial markets, malinvestment, speculative bubbles, over-indebtedness, price inflation across the board, you name it. In fact, the current monetary environment – characterised by central banks' chronic money printing and their exceptionally low interest rates policy –is sowing the seeds of the next crisis, whenever it may come, and in whatever form it may present itself.

Holding physical gold is one possibility to counter the unfolding spectrum of risks, or rather, uncertainties. The exchange value of the yellow metal cannot be debased by central banks running the printing presses. Moreover, gold does not carry any counterparty risk; it cannot default. At this point, people might not want to face reality and act accordingly; they may neglect the risks of inflation and payment defaults. This could explain why – from our point of view – the price of gold is still fairly low and offers investors an attractive opportunity to build up, or expand, their gold exposure.

PRECIOUS METALS PRICES

In US-Dollar per ounce

	Gold		Silver		Platinum		Palladium	
I. Actual	**1809.2**		**26.8**		**1112.0**		**2766.4**	
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)	*35*		*75*		*14*		*-2*	
Band width	*Low*	*High*	*Low*	*High*	*Low*	*High*	*Low*	*High*
	1750	2684	23.0	55.1	950	1472	2280	2910
(1)	*-3*	*48*	*-14*	*105*	*-15*	*32*	*-18*	*5*
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

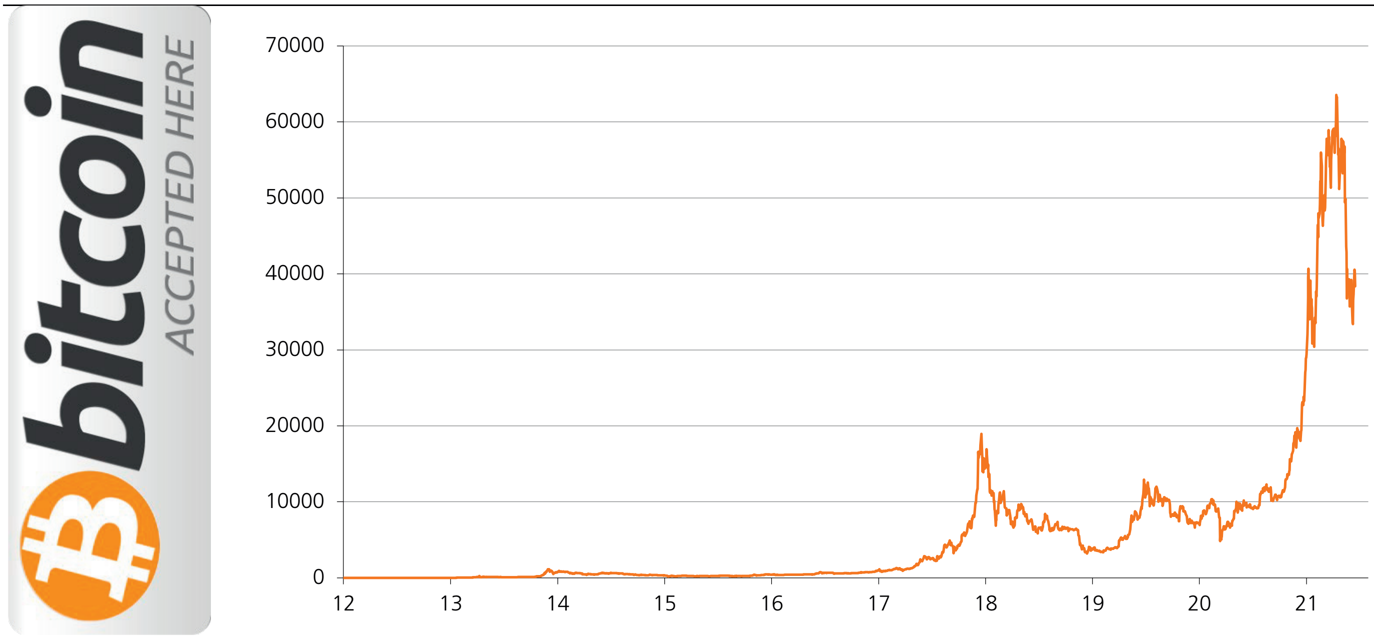
	Gold		Silver		Platinum		Palladium	
I. Actual	**1514.4**		**22.5**		**930.8**		**2315.5**	
II. Gliding averages								
10 days	1543.4		22.9		979.8		2314.1	
20 days	1522.6		22.6		999.6		2367.7	
50 days	1489.4		21.9		1003.8		2320.8	
100 days	1488.7		21.9		984.4		2142.3	
200 days	1538.9		21.4		887.0		2049.3	
III. Estimates for end 2021	**2044**		**39**		**1062**		**2263**	
(1)	*35*		*75*		*14*		*-2*	
Band width	*Low*	*High*	*Low*	*High*	*Low*	*High*	*Low*	*High*
	1470	2260	19.0	46.6	800	1240	1920	2450
(1)	*-3*	*49*	*-15*	*107*	*-14*	*33*	*-17*	*6*
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

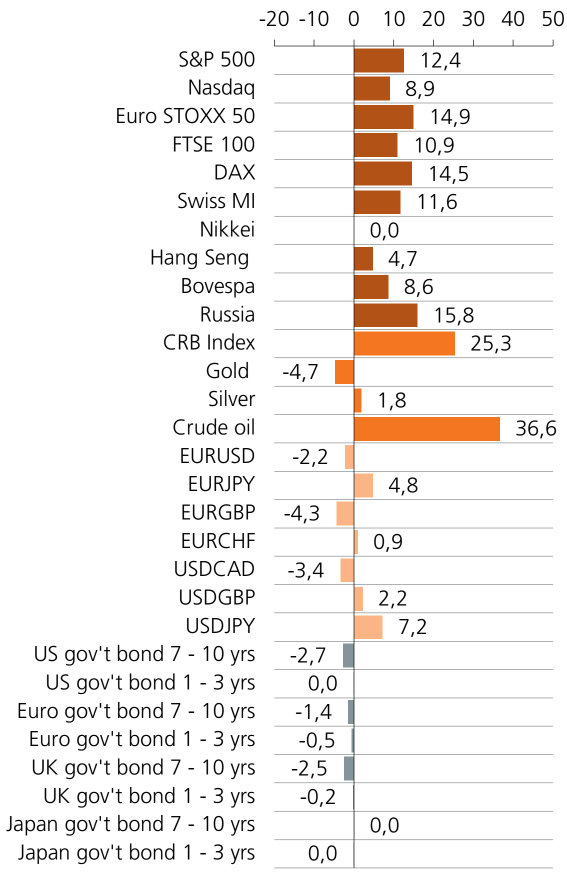
Bitcoin in US dollars



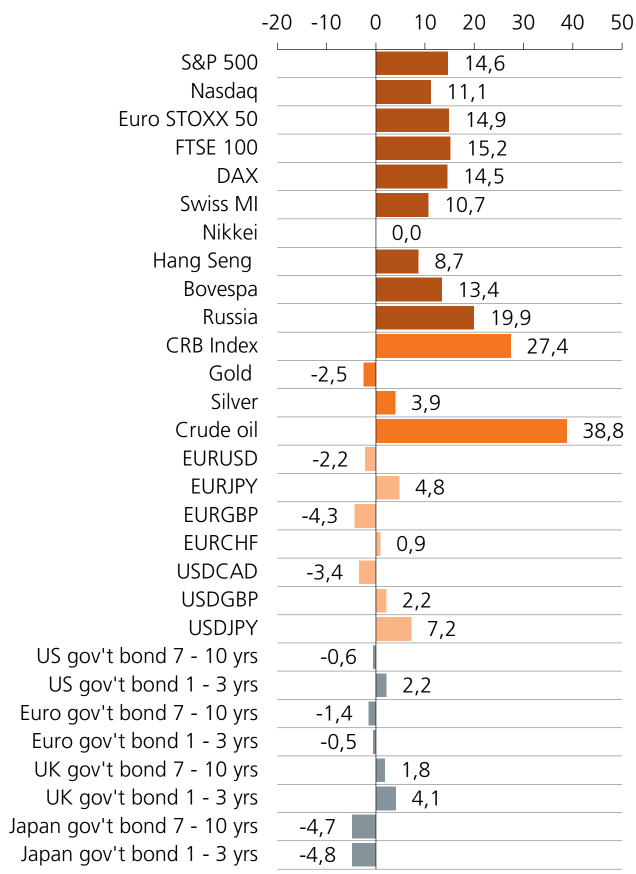
Source: Refinitiv; graph by Degussa.

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
17 June 2021	Gold Against Neglected Risks
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

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

Disclaimer

Imprint
Marktreport is published every 14 days on Thursdays and is a free service provided by Degussa Goldhandel GmbH.
Deadline for this edition: 17 June 2021
Publisher: Degussa Goldhandel GmbH, Kettenhofweg 29, 60325 Frankfurt, Tel.: (069) 860068-0, Fax: (069) 860068-222
E-Mail: info@degussa-goldhandel.de, Internet: 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/

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
Phone: 07231-58795 – 0 · pforzheim@degussa-goldhandel.de

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

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

Madrid (shop & showroom)**:** Calle de Velázquez 2 · 28001 Madrid
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