

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.

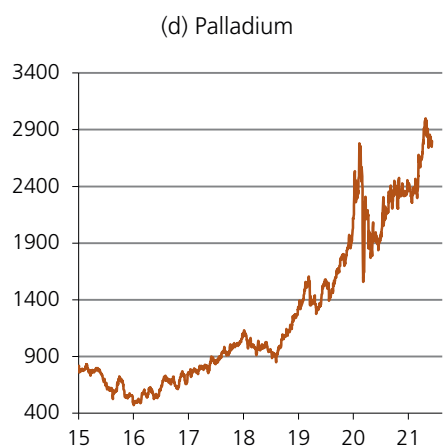
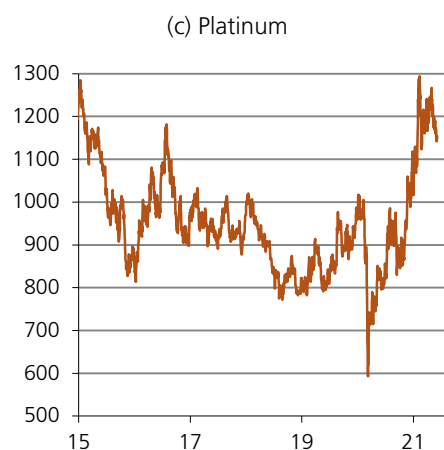
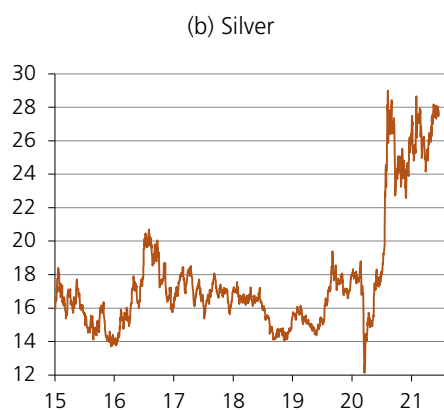
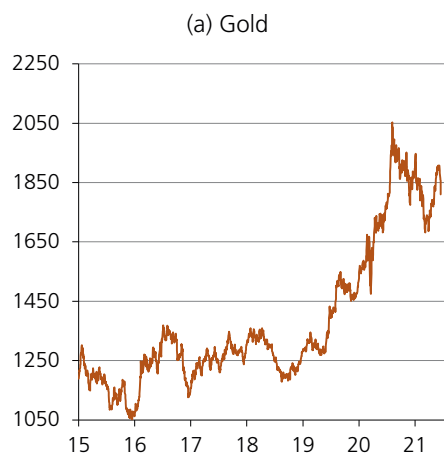
Perhaps investors had expected even higher inflation so that the data release provided some kind of relief and encouraged them to buy into the bond market? Or investors expect inflation not to be a real problem, that it will turn out to be temporary so that bonds at current prices are a bargain. Or is 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)



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	
<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⁾	-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

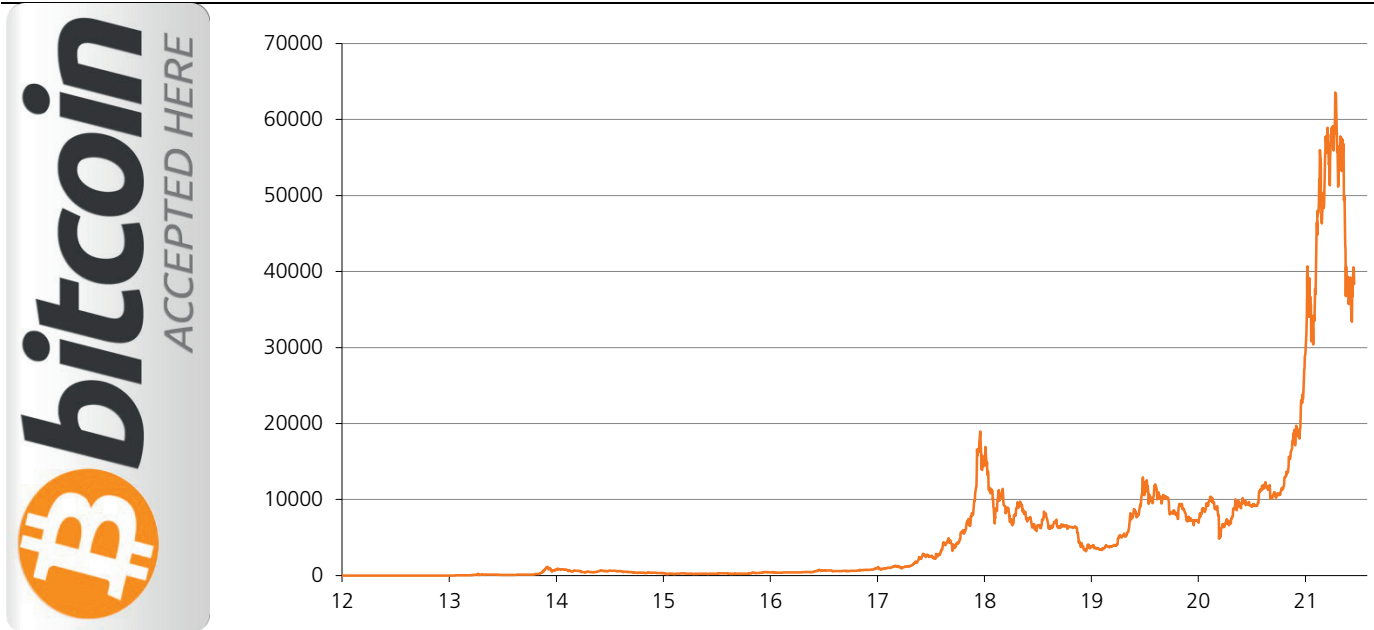
	Gold		Silver		Platinum		Palladium	
I. Actual	1514.4		22.5		930.8		2315.5	
II. Gliding averages								
10 days	1543.4		22.9		979.8		2314.1	
20 days	1522.6		22.6		999.6		2367.7	
50 days	1489.4		21.9		1003.8		2320.8	
100 days	1488.7		21.9		984.4		2142.3	
200 days	1538.9		21.4		887.0		2049.3	
III. Estimates for end 2021	2044		39		1062		2263	
⁽¹⁾	35		75		14		-2	
<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⁾	-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.

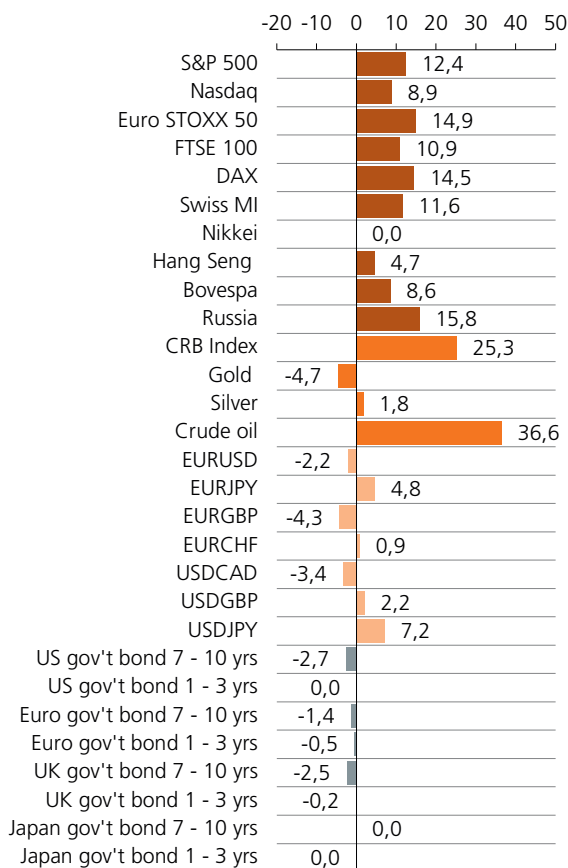
BITCOIN, PERFORMANCE OF VARIOUS ASSET CLASSES

Bitcoin in US dollars

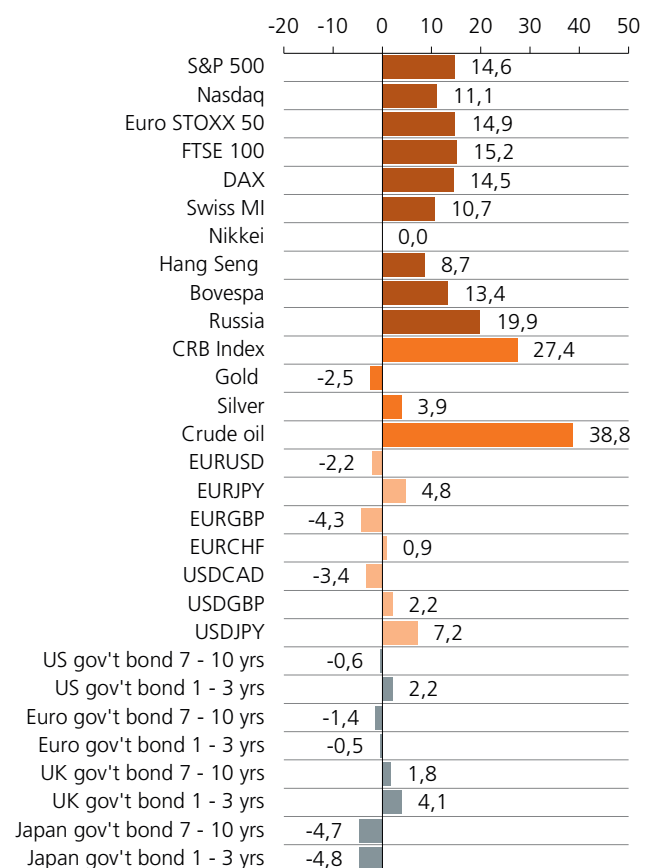


Performance of stocks, commodities, FX and bonds

(a) In national currencies



(b) In euro



Source: Refinitiv; calculations by Degussa.

Articles in earlier issues of the *Degussa Market Report*

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