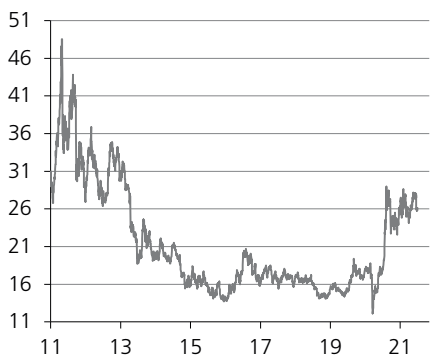


USD per ounce of gold



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	1.758.9	-6.3	2.0	-1.2
Silver	25.9	-7.0	-2.2	43.0
Platinum	1.061.8	-7.7	-10.3	30.0
Palladium	2.709.7	-2.4	15.3	40.4
II. In euro				
Gold	1.481.6	-4.4	3.5	-6.5
Silver	21.8	-5.2	-0.8	34.9
Platinum	894.4	-5.5	-9.0	22.6
Palladium	2.282.0	-0.4	16.8	32.9
III. Gold price in other currencies				
JPY	194.693.0	-5.4	5.8	1.3
CNY	11.356.7	-5.4	1.9	-9.7
GBP	1.271.3	-4.4	2.7	-11.4
INR	130.747.8	1.9	3.3	-2.8
RUB	128.208.0	-4.9	0.2	1.3

Source: Refinitiv; calculations by Degussa.

OUR TOP ISSUES

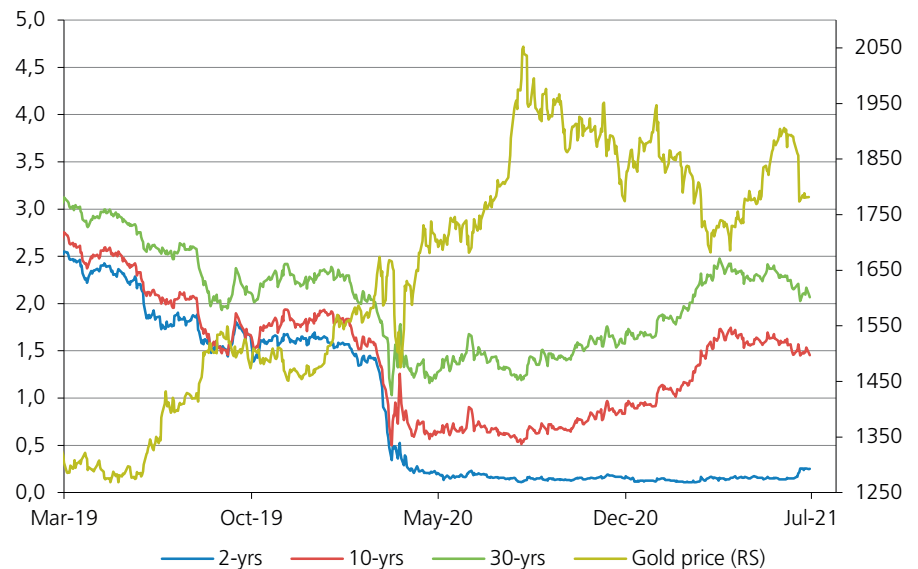
This is a short summary of our fortnightly **Degussa Marktreport**.

INVESTORS BELIEVING THE IMPOSSIBLE, MAKING THE PRICE OF GOLD FALTER

Since its record price on 6 August 2020, the price of gold has declined by 14 per cent to 1.750 USD/oz. This is no doubt a rather disappointing performance, especially given a roughly 27 per cent rise in the S&P 500, a strongly expanding money supply and rising goods price inflation basically across the board. There seem to be two interrelated factors that have proven to be a drag on the price of gold (and silver, for that matter): interest rates and the 'safety net' the Federal Reserve (Fed) has put under financial markets.

1 Higher interest rates dampen gold price

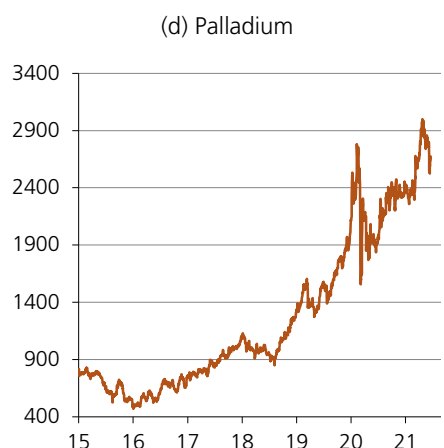
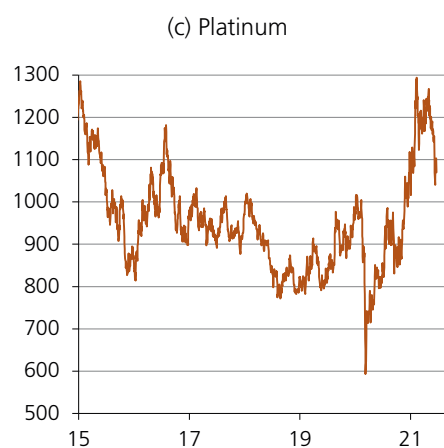
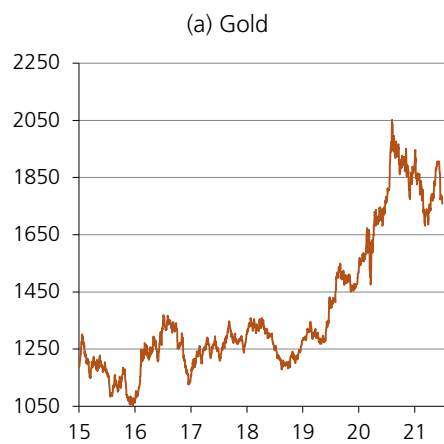
US interest rates in per cent and the price of gold (USD/oz)



Source: Refinitiv; graph Degussa.

As the graph shows, long-term US interest rates started rising from around July 2020 until March 2021. That rise was accompanied by a decline in the price of gold. The reason appears to be straightforward: higher yields represent higher opportunity costs of holding gold. As a result of (somewhat) higher yields, the demand for gold and the gold price fell. When yields began to decline from March 2021, the gold price recovered – as holding gold became more attractive from an investor's perspective, leading to a higher gold price.

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



Source: Refinitiv; graphs by Degussa.

When Fed chairman Jerome J. Powell announced on 16 June 2021 that the central bank could bring forward its first interest rate hikes from 2024 to 2023, US yields moved up again. But only a little. For instance, the 2-year yield rose to 0.26 per cent from previously 0.165 per cent. However, the yield rise was enough to discourage those investors who had bet on a continuation, if not an intensification, of the Fed's inflationary policy. The outlook of the Fed tightening policy (in two years!) sent the gold price southwards.

Is it likely that the Fed will really tighten monetary policy? To answer this question, we have to turn our attention to the Fed's 'safety net'. It is 'invisible', but it is real: The Fed has given the financial markets – explicitly or implicitly – the promise to ward off any new crisis and to prop up the system by issuing any amount of credit and money deemed necessary. This has lowered investor risk aversion. As a result, investors take additional risks in stock, bond, and housing markets and require relatively low risk compensation.

At the same time, investors' inflation expectations have remained relatively subdued – despite the latest very strong spikes in many commodity, producer, and consumer goods prices. In fact, there are little signs that suggest investors are on the verge of fleeing fiat currencies; or that they are losing confidence in central banks' willingness and ability to preserve the purchasing power of their fiat currencies. In other words: investors believe that central banks will be able to do the impossible.

Doing the impossible is, however, impossible. Central banks can, of course, fend off yet another credit crisis by issuing new money. They can also preserve the purchasing power of money by stopping printing up ever greater amounts of money – which would then lead to the collapse of the fiat currency system. However, over time, central banks cannot achieve both of these goals. The price movement in financial markets, however, suggests that investors continue to put a great deal of trust into the omnipotence of central banks.

To cut a long story short, we believe that the current pricing of gold does not adequately reflect the true risks investors face in this economic and monetary system, risks that will sooner or later be taken into account in investors' risk assessment. It is hard to say where the price of gold will be trading in the short term (that is in the next months and quarters), but I am pretty confident that it will be much higher in the medium- to long-term, that is, in one to two years. So for long-term investors, the current gold price is something of a bargain.

PRECIOUS METALS PRICES

In US-Dollar per ounce

	Gold		Silver		Platinum		Palladium	
I. Actual	1758.8		25.9		1061.4		2708.6	
II. Gliding averages								
10 days	1786.2		26.2		1086.3		2633.1	
20 days	1835.3		27.0		1124.2		2716.7	
50 days	1834.6		27.1		1177.9		2815.7	
100 days	1791.7		26.6		1191.3		2663.5	
200 days	1831.4		25.7		1085.5		2503.6	
III. Estimates for end 2021	2448		47		1272		2710	
⁽¹⁾	39		82		20		0	
<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⁾	-1	53	-11	113	-10	39	-16	7
V. Annual averages								
2018	1253		17.1		947		857	
2019	1268		15.8		880		1019	
2020	1382		16.1		862		1511	

In Euro per ounce

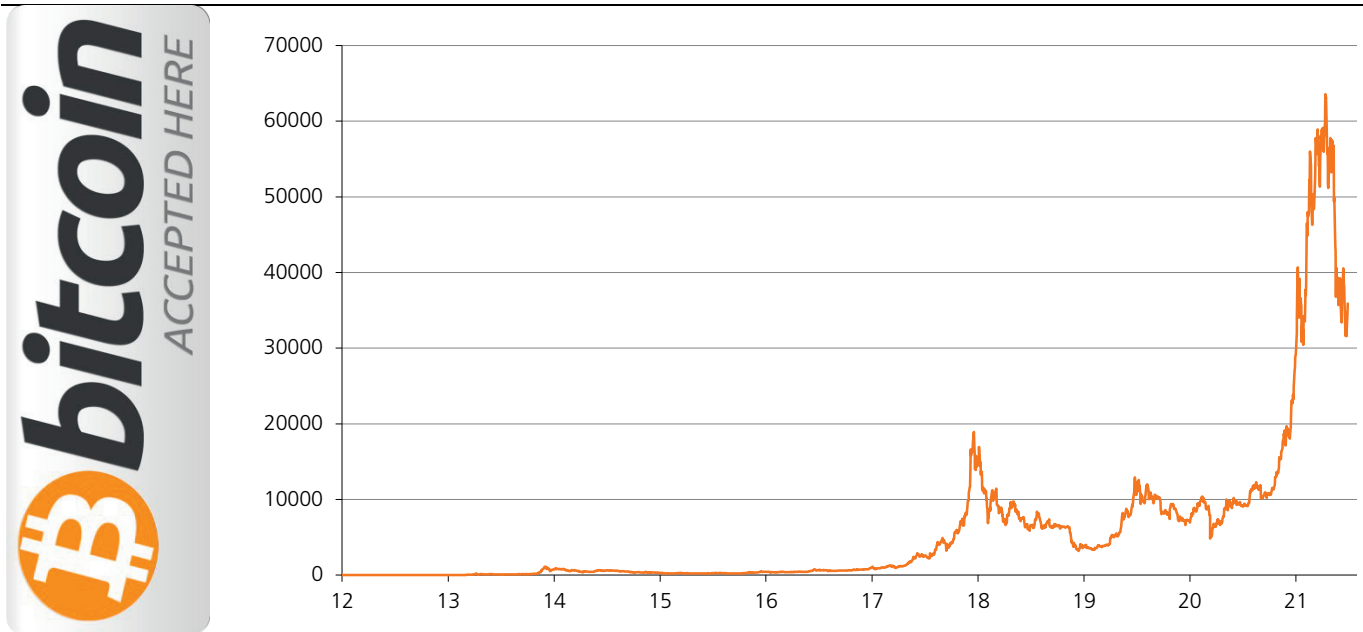
	Gold		Silver		Platinum		Palladium	
I. Actual	1481.8		21.8		894.2		2282.1	
II. Gliding averages								
10 days	1496.1		21.9		909.8		2205.4	
20 days	1522.9		22.4		932.8		2254.1	
50 days	1516.2		22.4		973.4		2327.1	
100 days	1489.2		22.1		990.3		2213.9	
200 days	1526.3		21.4		903.8		2086.0	
III. Estimates for end 2021	2044		39		1062		2263	
⁽¹⁾	38		80		19		-1	
<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⁾	-1	53	-13	113	-11	39	-16	7
V. Annual averages								
2018	1116		15		844		760	
2019	1072		13		743		863	
2020	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

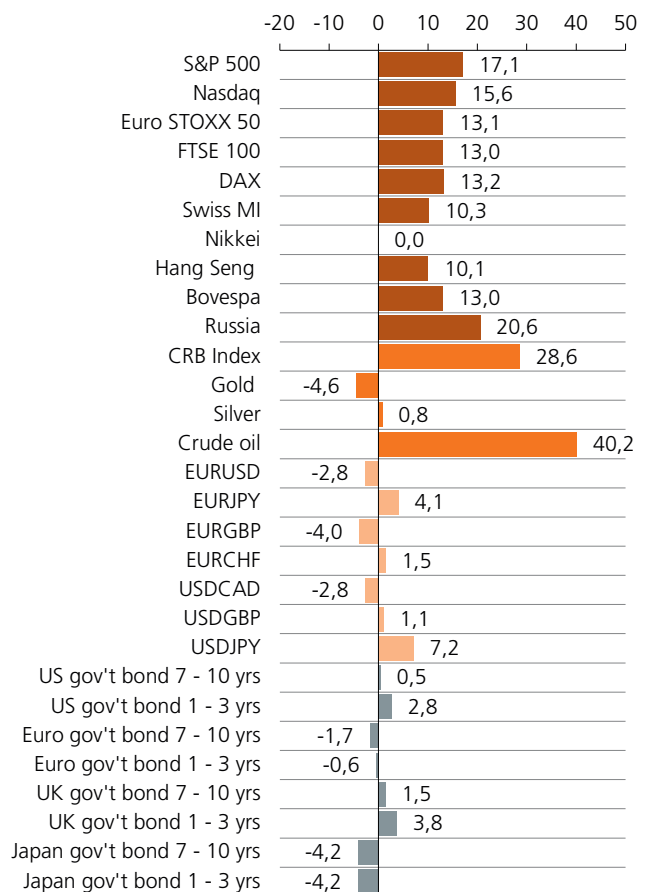
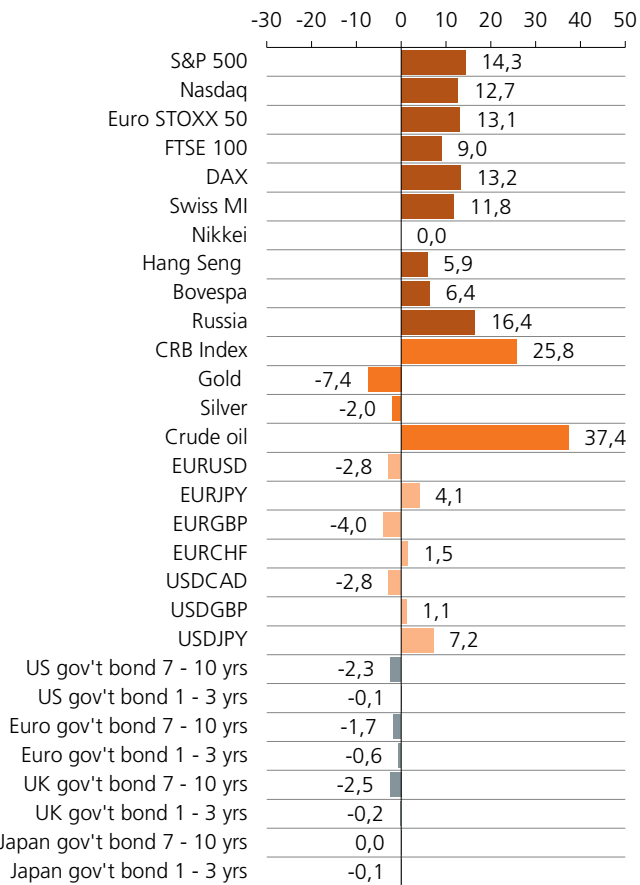


Source: Refinitiv; graph by Degussa.

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*

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17 June 2021	Gold Against Neglected Risks
2 June 2021	Gold And Inflation
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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
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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
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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
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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

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www.degussa-goldhandel.de/de/marktreport.aspx.

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