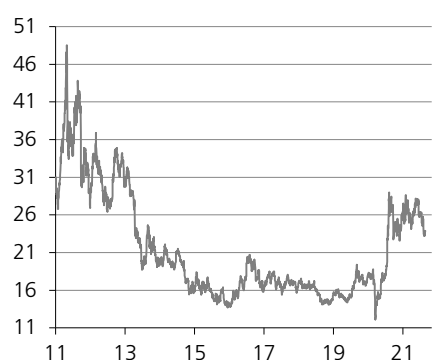


## USD per ounce of gold



## 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	1.786.3	1.3	1.0	-9.3
Silver	23.6	-2.8	-8.7	-16.2
Platinum	997.2	1.8	-16.8	7.3
Palladium	2.454.7	-6.6	-16.3	9.4
<b>II. In euro</b>				
Gold	1.520.3	1.4	3.3	-7.8
Silver	20.1	-2.7	-6.6	-14.6
Platinum	848.8	1.9	-14.9	9.2
Palladium	2.089.0	-6.5	-14.5	11.5
<b>III. Gold price in other currencies</b>				
JPY	196.549.0	1.1	1.7	-5.7
CNY	11.570.4	1.2	1.1	-14.1
GBP	1.301.6	2.4	1.7	-11.5
INR	132.493.8	1.9	1.2	-8.1
RUB	132.211.6	2.0	-0.5	-9.0

Source: Refinitiv; calculations by Degussa.

## OUR TOP ISSUES

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

## OUR MONEY GETS THROWN UNDER THE BUS

Financial markets are rife with rumours that the Fed will begin “tapering” towards the end of this year, meaning the current pace of the Fed’s bond purchases and the resulting increase in the quantity of money are widely expected to be scaled back. However, according to the central bank’s own projections, the Fed’s interest rates are expected to remain at rock bottom until 2023. While the “taper talks” keeps many investors and financial journalists occupied, the important question is: How likely is it that the Fed will really seek an exit from its super-easy monetary policy?

Basically, all monetary indicators – such as, for instance, the ‘Taylor rule’ – suggest that the Fed’s interest rates are way too low and need to be raised. Most notably, current consumer prices have been rising sharply, increasing by 5.4 per cent year on year as of July 2021, while consumer prices net of food and energy commodities rose 4.3 per cent year on year. This, in turn, has driven real (that is inflation-adjusted) interest rates deep into negative territory, as nominal short-term interest rates are kept at close to zero per cent and the 10-year treasury bond at around 1.7 per cent.

There is, of course, a reason why the Fed is hesitant to abandon its excessive money printing and unnaturally low interest rate policy: The Fed wants to continue the inflationary boom it has orchestrated by printing money and artificially suppressing market interest rates in the first place. What is more, the indebtedness of the economy has become so high that many debtors can no longer afford to pay higher borrowing costs, much less to end the practice of rolling over maturing debt into new debt.

It is fair to say that monetary policy has been quite inflationary, not only in the US but also around the world. While consumer goods price inflation had remained rather subdued until recently, asset prices – such as the prices for stocks, real estate, residential property etc. – have inflated sharply. Taken together, the economic and financial system has actually become addicted to sustained increases in the prices of goods, which, in turn, require an uninterrupted inflow of credit and money. Goods price inflation creates further goods price inflation.

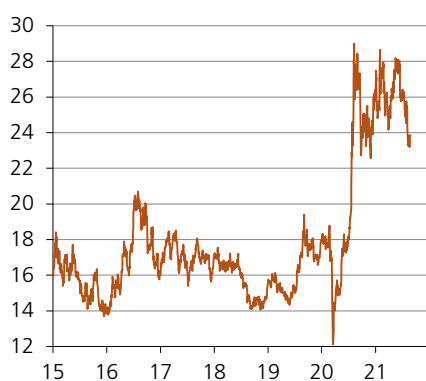
This is because inflation only stimulates economic expansion when it comes unexpectedly, when it surprises on the upside. Once people are no longer fooled by inflation, it loses its stimulatory effect on the economy. With consumer goods prices rising strongly, however, people may well live up to reality and understand that they are being conned by monetary policy. And if or when

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

(a) Gold



(b) Silver



(c) Platinum



(d) Palladium



inflation expectations rise above the target rate, while the central bank tightens its policy to reduce inflation, the economy and financial markets will be in for a really hard landing.

In this context, it is instructive to see the already elevated consumer goods price inflation being downplayed as “temporary” and driven by “special factors”. And hardly a word to hear that it is caused by excessive money printing on the part of central banks. All this could suggest that the public at large may not really wake up to the inflation problem, and that it is not that well informed about the true cause of inflation. Central banks may thus well succeed in disguising their role in debasing the purchasing power of money – which is what goods price inflation does to the money unit.

And so they will most likely continue to do what they have been doing for the past few decades: throwing the purchasing power of money under the bus. Especially in view of the economies’ huge debt burden, there is a rather high likelihood that central banks have secretly rearranged their priority list: Maintaining production is considered more important than curbing goods price inflation. While such a trade-off will not function in the long run, it may work in the short run. In any case, it is politically preferred from the viewpoint of rulers and the ruled.

I believe there is good reason to expect that the purchasing power of the US dollar, euro and the like will continue to decline further in the coming years, most likely at an accelerated pace. This means that the Fed and the other major central banks around the world are unlikely to restrict monetary policy in any meaningful way. With real short-term interest rates remaining in negative territory, the idea of adding physical gold and, to some extent also silver, to one’s portfolio should be revisited.

What has been holding the price of gold and silver back since August 2020 is, on the one hand, the decline of risk aversion among investors, which has reduced the demand for “safe haven” assets. On the other hand, the price of gold and silver has suffered because markets have increasingly embraced the idea that the monetary policy will end its excessively expansionary course, thereby reducing the need to hold gold and silver as a hedge against inflation. However, in this podcast, I have argued that there will not be an end to price inflation and thus currency debasement.

I maintain the view that gold and silver, bought at current prices, will prove to be return-enhancing and risk-reducing for the long term investor portfolio.

\*\*\*

*The podcast for this article can be found [here](#).*

## PRECIOUS METALS PRICES

In US-Dollar per ounce

	Gold		Silver		Platinum		Palladium	
<b>I. Actual</b>	<b>1784.5</b>		<b>23.6</b>		<b>994.7</b>		<b>2446.5</b>	
II. Gliding averages								
10 days	1779.5		23.6		1004.9		2508.8	
20 days	1785.2		24.2		1017.9		2579.1	
50 days	1791.7		25.2		1060.6		2656.6	
100 days	1810.1		26.1		1130.5		2743.5	
200 days	1810.7		25.9		1121.0		2569.0	
<b>III. Estimates for end 2021</b>	<b>2448</b>		<b>47</b>		<b>1272</b>		<b>2710</b>	
<sup>(1)</sup>	37		99		28		11	
<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
<sup>(1)</sup>	-2	50	-3	133	-4	48	-7	19
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

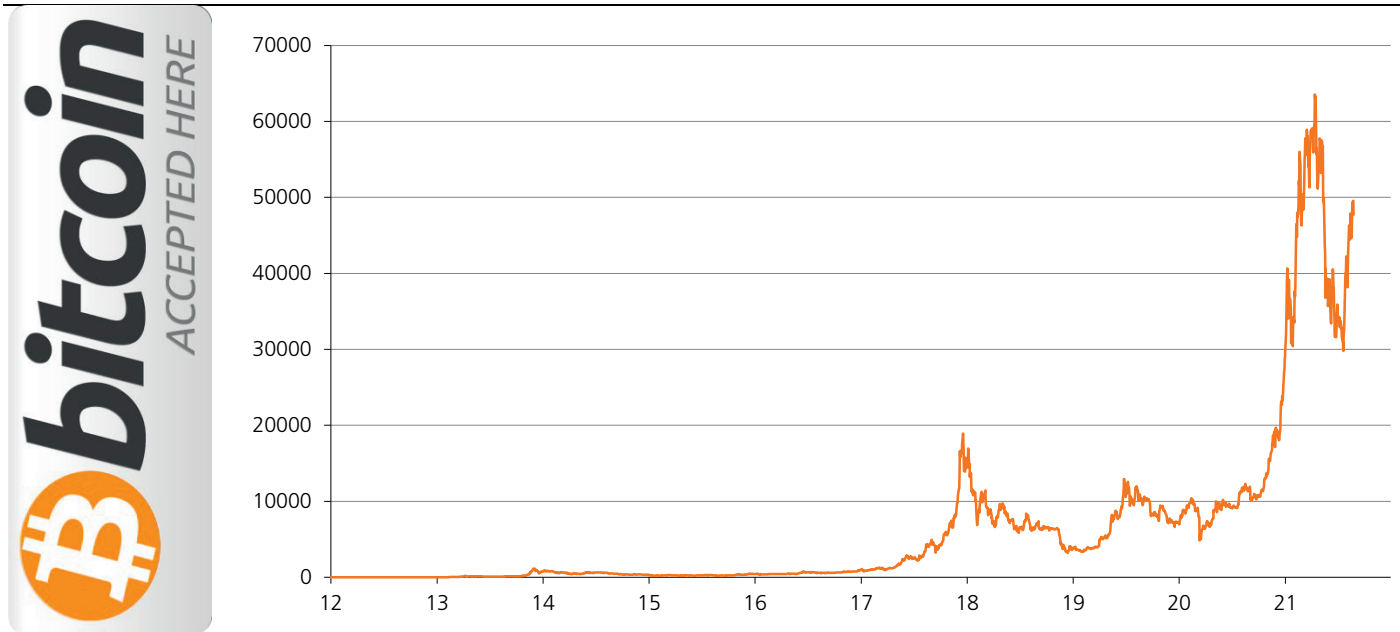
	Gold		Silver		Platinum		Palladium	
<b>I. Actual</b>	<b>1518.6</b>		<b>20.1</b>		<b>846.4</b>		<b>2081.9</b>	
II. Gliding averages								
10 days	1516.5		20.1		856.4		2137.8	
20 days	1515.9		20.6		864.2		2189.7	
50 days	1514.9		21.3		896.6		2245.9	
100 days	1512.8		21.8		944.3		2292.4	
200 days	1507.7		21.6		933.5		2140.1	
<b>III. Estimates for end 2021</b>	<b>2044</b>		<b>39</b>		<b>1062</b>		<b>2263</b>	
<sup>(1)</sup>	35		96		25		9	
<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
<sup>(1)</sup>	-3	49	-5	132	-5	46	-8	18
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.

<sup>(1)</sup> On the basis of actual prices.

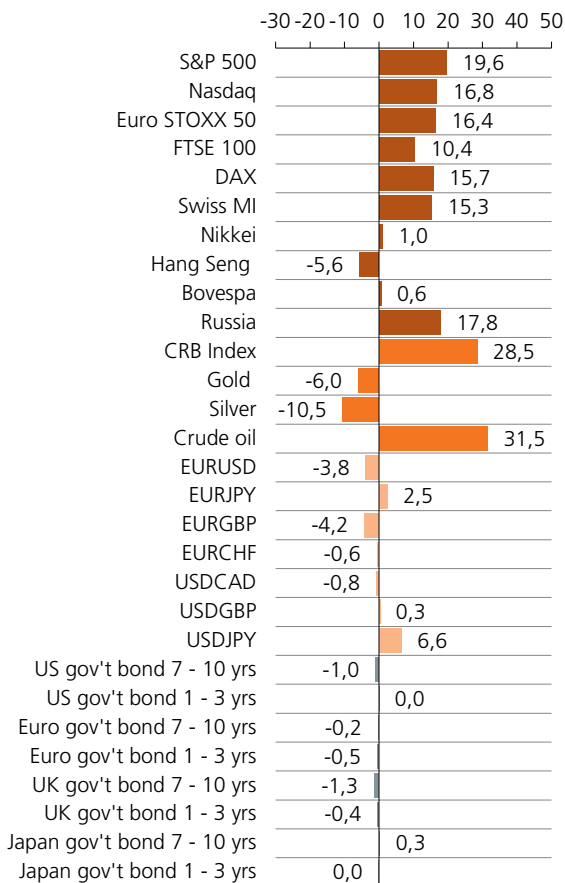
## BITCOIN, PERFORMANCE OF VARIOUS ASSET CLASSES

### Bitcoin in US dollars

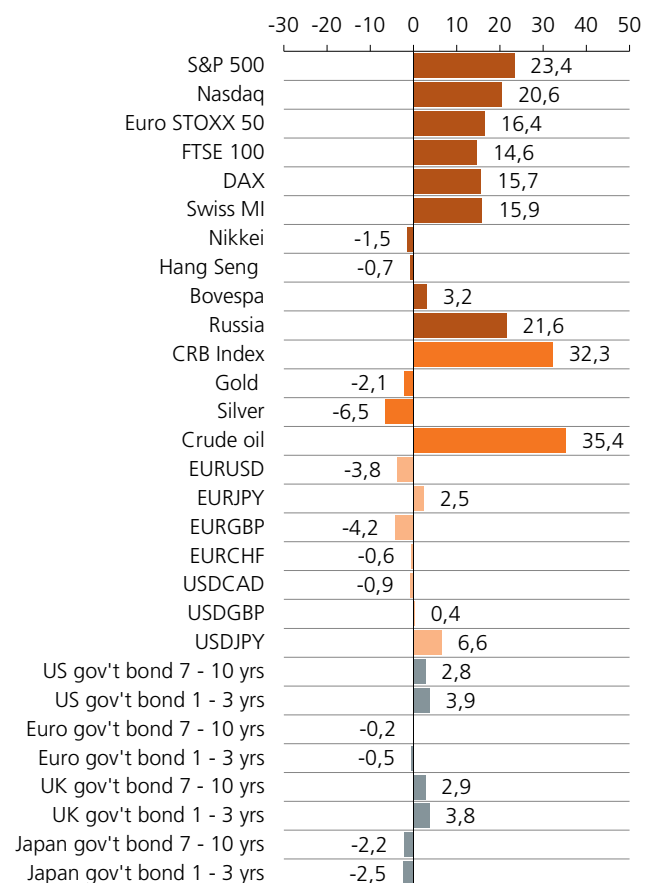


### Performance of stocks, commodities, FX and bonds

(a) In national currencies



(b) In euro



Source: Refinitiv; calculations by Degussa.

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

Issue	Content
26 August 2021	Our Money Gets Thrown Under The Bus
12 August 2021	The Crime of 1971
29 July 2021	Gold And The Market Fear That Is Not
15 July 2021	Gold and the Monetary Policy Empire of Deception
1 July 2021	Investors believing the impossible, making the price of gold falter
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 Pricesg
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
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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

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