Degussa Market Report

21 October 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	1.782.9	1.3	0.7	-5.9
Silver	24.1	7.0	-7.7	0.3
Platinum	1.042.8	7.3	-2.8	21.5
Palladium	2.059.1	7.3	-25.9	-6.9
II. In euro				
Gold	1.531.3	0.9	2.6	-5.9
Silver	20.7	6.6	-6.0	0.1
Platinum	895.7	6.9	-1.2	21.4
Palladium	1.768.0	6.9	-24.6	-6.9
III. Gold price in other currencies				
JPY	203.715.0	4.2	3.6	2.7
CNY	11.397.3	0.5	-0.3	-10.1
GBP	1.292.9	-0.5	1.0	-11.9
INR	133.310.0	1.9	1.3	-5.6
RUB	126.444.0	-1.0	-2.1	-17.0

Source: Refinitiv; calculations by Degussa.

OUR TOP ISSUES

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

AT A CROSSROADS. IT IS TIME FOR GOLD AND SILBER

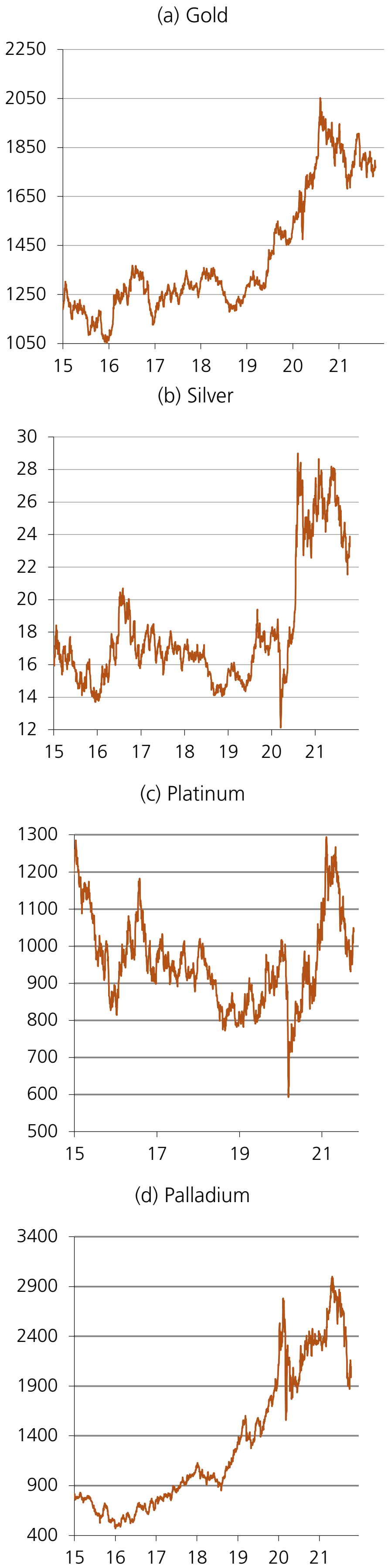
Price inflation is rearing its ugly head – worldwide. In the US, the annual increase in consumer goods prices was 5.4% in September 2021, in the euro area 3.4%, and in China 4.1%. It is not only rising energy prices that are driving consumer goods prices up. The upward price pressure affects all types of goods and services prices – food, clothing, furniture, etc. The inflationary development is also raging in asset markets. For instance, housing prices in many countries rise sharply. In the US, house prices were up 19.7% year-on-year in July 2021, while German house prices edged up 13.3% year-on-year in Q3 2021.

There is plenty of evidence that price inflation is very much alive and could even continue to rise. Against this backdrop, it is important to note that price inflation – meaning an ongoing rise in goods and services prices across the board – is not a natural disaster. Price inflation is man made, the result of an excessive increase in the quantity of money. In fact, without a fairly substantial increase in the money supply, it is hardly imaginable that all goods and services prices would start trending upwards over time. (To reject this statement, one would have to assume that the demand for money relative to the supply of money would continuously decrease. This, however, is very unlikely if and when there is no increase in the supply of money.)

In their "fight" against the consequences of the politically dictated lockdown crisis, central banks around the world have slashed interest rates to historic lows and opened up the monetary spigots. The result is a build-up of a huge "monetary overhang", money that has not yet found its way into higher production and/or higher prices. For instance, we estimate that in the US the monetary overhang is now around 20 per cent, and in the euro area, around 15 per cent – constituting a price increase potential of the same magnitude. To make matters worse, the US M2 money stock keeps growing at a rate of 12 per cent year-on-year, which means that the monetary overhang continues to grow. A similar development is also becoming apparent in the euro area.

This strongly suggests that central banks will have to raise interest rates to keep price inflation from getting out of hand. However, it should be clear that a monetary policy of interest rate hikes and containment of credit and money supply expansion would be tantamount to an earthquake for the global economic and financial system – because the latest economic recovery has been driven by extremely low interest rates and a most generous supply of credit and money. The upswing in the current business cycle would most likely come to an end if and when central banks embark on a policy course to bring down

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



Source: Refinitiv; graphs by Degussa.

price inflation. In fact, it doesn't take much to expect that it would trigger the next big crisis.

What if central banks don't end their inflationary policy? In the extreme, price inflation could spin out of control if and when market agents lose confidence in central banks' ever abandoning their inflationary course. This, in turn, could lead to a brutal currency collapse. In all likelihood, central banks would not want to take such a risk, so that at some point, they will have to put their money where their mouths are and raise interest rates. Any such action, however, will most likely be "cosmetic" in nature, meaning that central banks will likely do their very best to avoid bringing real (that is: inflation-adjusted) interest rates back into positive territory; especially because global debt levels are already crushingly high, and many borrowers could not survive in an environment of higher real borrowing costs.

As noted earlier, if central banks meant business and were to combat price inflation by raising interest rates back to "normal levels", a recession-depression would be inevitable. However, from today's "macro-economic management consensus", a sharp drop in output and rise in unemployment would clearly be unacceptable. All this points to the conclusion that central banks will most likely maintain their "passive stance" as long as possible, refraining from bringing real interest rates back to economically meaningful, hoping that the current increase in consumer goods price inflation will prove to be temporary.

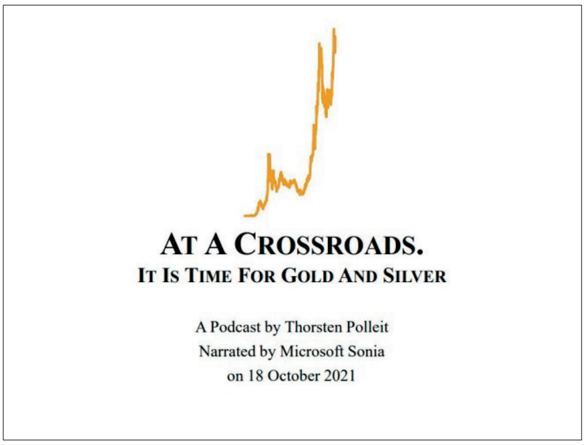
Against this backdrop, it should become evident that central banks' inflationary monetary policy has reached a crossroads. The best Investors can hope for is that price inflation does not spin out of control, but they have little reason to believe that price inflation – be it in the form of soaring consumer goods and/or asset prices – will decline towards more modest levels. First and foremost, the purchasing power of the currency – be it the US dollar, the euro, the Chinese renminbi, the Japanese yen – will fall victim to the ongoing inflationary policies of the central banks. It is fair to assume that escaping the "inflation tax" will be a key challenge for any saver and investor in the coming years.

Since August 2020, stocks and crypto units have outperformed, while gold and silver have underperformed. However, the savvy investor should not get carried away. Central banks are creating a "make-believe world" of epic proportions, and they have been relatively successful in allaying investor risk and inflation concerns so far. But people will increasingly realise that with the issue of ever greater amounts of money, price inflation will eat away the fruits of their labour, that their standard of living is declining, that some get rich while a great many people get poorer. Once people wake up, inflationary policies become self-defeating, and the economic and political structure it helped to build will break down.

While physical gold and silver have fallen out of investor favour lately, they represent one solid option to shield your portfolio against the debasement of the currencies orchestrated by central bank policy. These precious metals represent truly "sound money". The exchange value of gold and silver cannot be permanently manipulated downwards by central banks, especially not when times get really hard. What is more, physical gold and silver do not – in contrast to bank deposits – carry a counterparty or default risk. Last but not least, physical gold and silver make the investor independent from the financial system, its trading hours, settlement and delivery procedures and costs.

In summary, adding physical gold and silver to your portfolio at current prices makes perfect sense to those long-term oriented investors who share the view that central banking has actually arrived at a crossroads – and those who believe that the most likely scenario is the inflationary regime continuing to push its limits, a scenario that is much more probable than the return to prudent monetary policy.

*The podcast for this article can be found **here**.*



***

PRECIOUS METALS PRICES

In US-Dollar per ounce

	Gold		Silver		Platinum		Palladium	
I. Actual	**1782.2**		**24.1**		**1044.0**		**2060.4**	
II. Gliding averages								
10 days	1770.0		23.0		1018.8		2038.0	
20 days	1761.6		22.8		995.5		1984.4	
50 days	1778.8		23.3		990.9		2197.4	
100 days	1795.8		24.7		1041.4		2456.2	
200 days	1794.5		25.5		1114.6		2521.9	
III. Estimates for end 2021	**2448**		**47**		**1272**		**2710**	
(1)	*37*		*96*		*22*		*32*	
Band width	*Low*	*High*	*Low*	*High*	*Low*	*High*	*Low*	*High*
	1750	2684	23.0	55.1	950	1472	2280	2910
(1)	*-2*	*51*	*-4*	*129*	*-9*	*41*	*11*	*41*
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

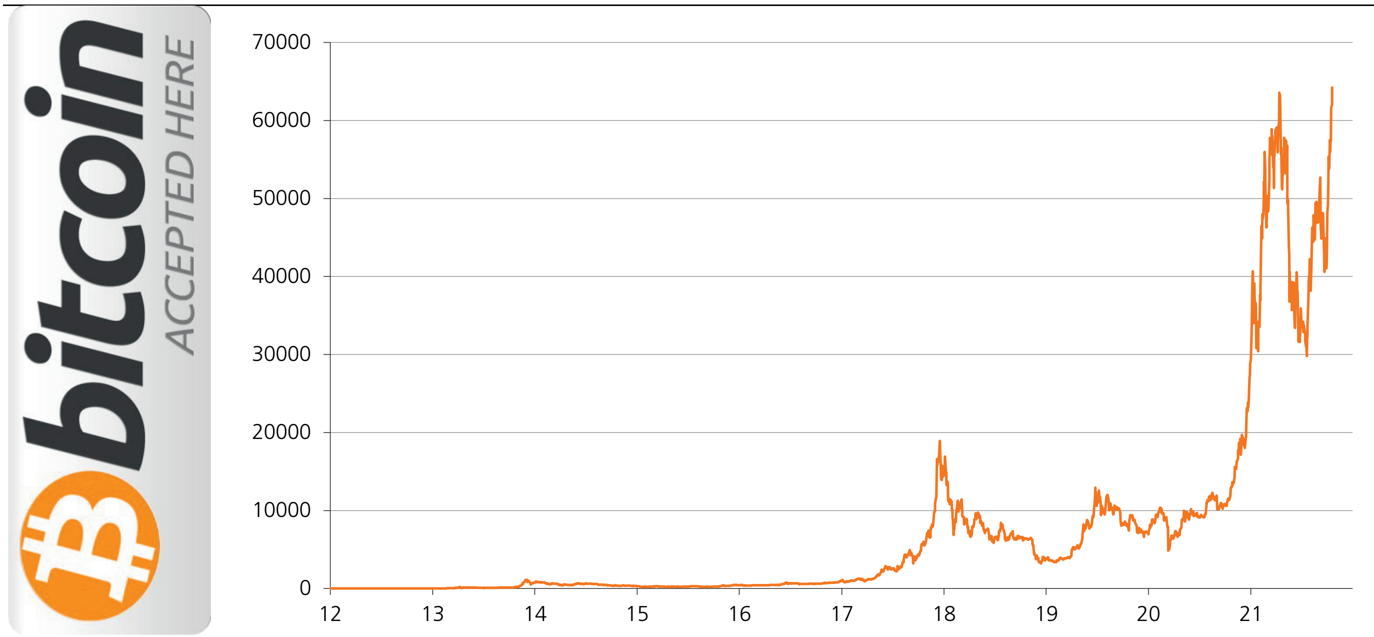
	Gold		Silver		Platinum		Palladium	
I. Actual	**1531.4**		**20.7**		**897.0**		**1770.4**	
II. Gliding averages								
10 days	1528.3		19.9		879.6		1759.6	
20 days	1516.1		19.6		856.7		1707.8	
50 days	1518.2		19.9		845.8		1874.7	
100 days	1519.9		20.9		881.1		2076.8	
200 days	1504.6		21.4		933.9		2113.1	
III. Estimates for end 2021	**2044**		**39**		**1062**		**2263**	
(1)	*33*		*90*		*18*		*28*	
Band width	*Low*	*High*	*Low*	*High*	*Low*	*High*	*Low*	*High*
	1470	2260	19.0	46.6	800	1240	1920	2450
(1)	*-4*	*48*	*-8*	*125*	*-11*	*38*	*8*	*38*
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

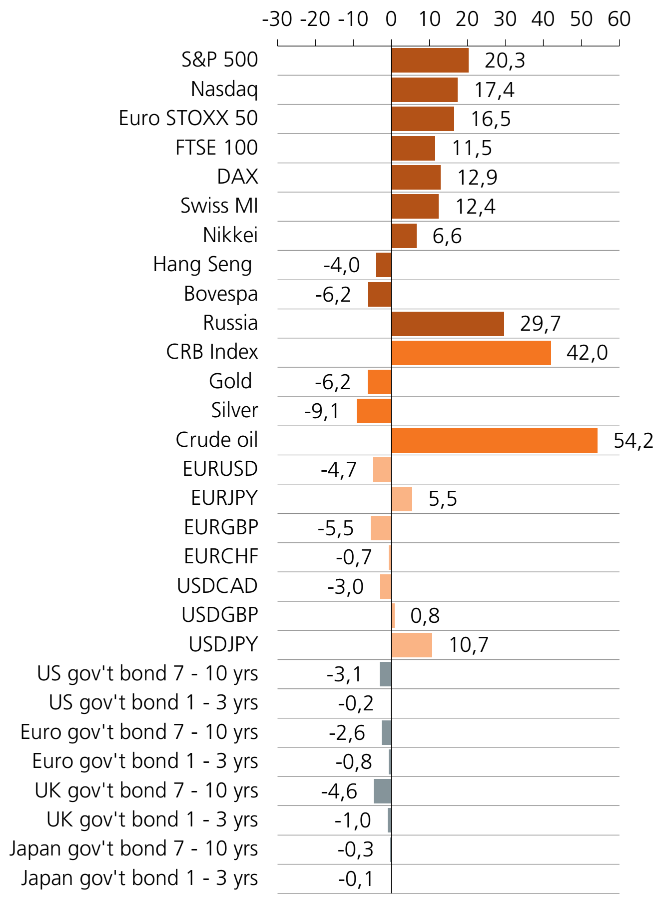
Bitcoin in US dollars



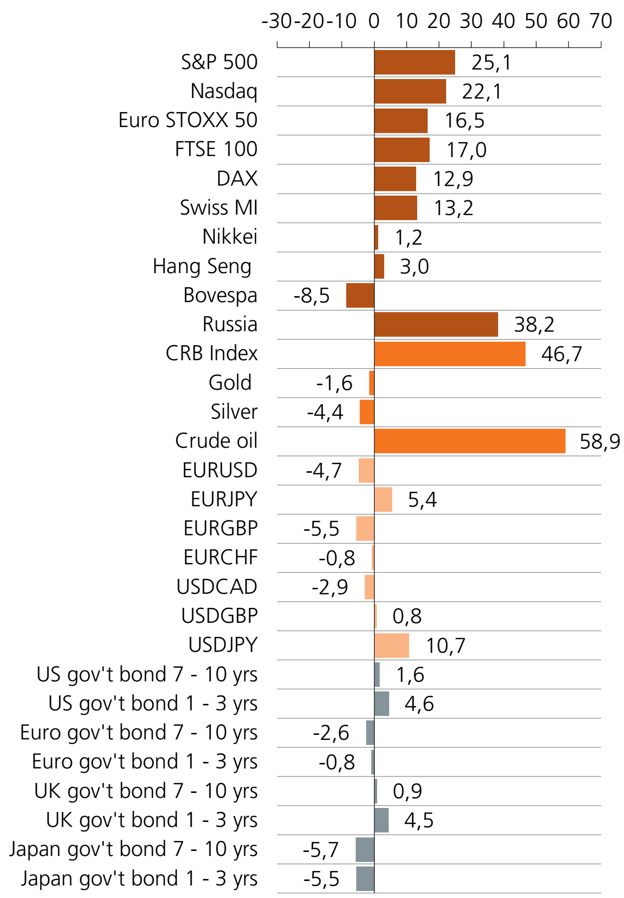
Source: Refinitiv; graph by Degussa.

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*

Issue	Content
21 October 2021	At A Crossroads. It Is Time For Gold And Silver
7 October 2021	Here Comes The Inflation Beast
23 September 2021	Evergrande: China's Potential 'Lehman moment'?
8 September 2021	It All Depends On The Fed's 'Safety Net'
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 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

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

Disclaimer

Degussa Goldhandel GmbH, Frankfurt am Main, is responsible for creating this document. The authors of this document certify that the views expressed in it accurately reflect their personal views and that their compensation was not, is not, nor will be directly or indirectly related to the recommendations or views contained in this document. The analyst(s) named in this document are not registered / qualified as research analysts with FINRA and are therefore not subject to NASD Rule 2711.
This document serves for information purposes only and does not take into account the recipient's particular circumstances. Its contents are not intended to be and should not be construed as an offer or solicitation to acquire or dispose of precious metals or securities mentioned in this document and shall not serve as the basis or a part of any contract.
The information contained in this document was obtained from sources that Degussa Goldhandel GmbH holds to be reliable and accurate. Degussa Goldhandel GmbH makes no guarantee or warranty with regard to correctness, accuracy, completeness or fitness for a particular purpose.
All opinions and views reflect the current view of the author or authors on the date of publication and are subject to change without notice. The opinions expressed herein do not necessarily reflect the opinions of Degussa Goldhandel GmbH. Degussa Goldhandel GmbH is under no obligation to update, modify or amend this document or to otherwise notify its recipients in the event that any circumstance mentioned or statement, estimate or forecast set forth in this document changes or is subsequently rendered inaccurate.
The past performance of financial instruments is not indicative of future results. No assurance can be given that any views described herein would yield favorable returns on investments. There is the possibility that said forecasts in this document may not come to pass owing to various risk factors. These include, without limitation, market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information and/or the circumstance that underlying assumptions made by Degussa Goldhandel GmbH or by other sources relied upon in the document should prove inaccurate.
Neither Degussa Goldhandel GmbH nor any of its directors, officers or employees shall be liable for any damages arising out of or in any way connected with the use of this document and its content.
Any inclusion of hyperlinks to the websites of organizations in this document in no way implies that Degussa Goldhandel GmbH endorses, recommends or approves of any material on or accessible from the linked page. Degussa Goldhandel GmbH assumes no responsibility for the content of and information accessible from these websites, nor for any consequences arising from the use of such content or information.
This document is intended only for use by the recipient. It may not be modified, reproduced, distributed, published or passed on to any other person, in whole or in part, without the prior, written consent of Degussa Goldhandel GmbH. The manner in which this document is distributed may be further restricted by law in certain countries, including the USA. It is incumbent upon every person who comes to possess this document to inform themselves about and observe such restrictions. By accepting this document, the recipient agrees to the foregoing provisions.

Imprint
Marktreport is published every 14 days on Thursdays and is a free service provided by Degussa Goldhandel GmbH.
Deadline for this edition: 21 October 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