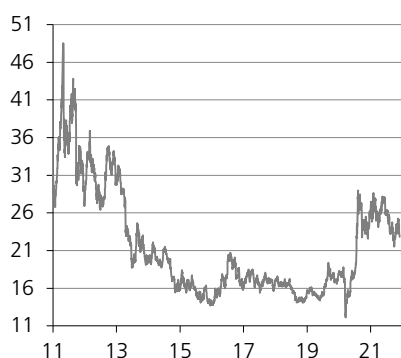


USD per ounce of gold



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	1.780.9	-4.5	-1.8	-6.1
Silver	22.9	-9.6	-4.3	-13.3
Platinum	950.4	-12.2	-6.1	-10.8
Palladium	1.748.3	-17.1	-29.1	-28.6
II. In euro				
Gold	1.571.6	-3.4	2.4	1.2
Silver	20.2	-8.7	-0.2	-6.4
Platinum	837.3	-11.4	-2.5	-4.3
Palladium	1.543.0	-16.2	-26.2	-22.9
III. Gold price in other currencies				
JPY	202.088.0	-4.8	1.3	3.1
CNY	11.345.3	-4.6	-3.1	-8.4
GBP	1.336.8	-3.8	1.5	-3.7
INR	133.445.9	1.9	0.9	-3.7
RUB	131.448.6	-3.1	-0.8	-6.1

Source: Refinitiv; calculations by Degussa.

OUR TOP ISSUES

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

INFLATION IS NOT TEMPORARY BUT HERE TO STAY

Consumer price inflation is rising. In the US, it was 6.2% in October 2021; in Germany, it is most likely to reach 6.2% in November, and in the eurozone, it went up to 4.9% last month. Of course, that's not all. For instance, German producer price inflation reached 18.4% y-o-y in October, the highest rate since 1951; in Italy, it rose by as much as 20.4% y-o-y. In the US, housing prices were up 19.5% y-o-y in September (down from 19.8% y-o-y in October), and in the same month, German house prices rose 13.3% y-o-y.

These numbers may suffice to understand that goods price inflation – the sustained rise in goods prices across the board – is rearing its ugly head. Or isn't it? Perhaps it is just a temporary spike in goods prices, a surge that will be short-lived, to be followed by moderate rates of rising goods prices? Well, that's what central bankers, politicians, and many mainstream economists are telling people – in an effort to keep inflation expectations from rising.

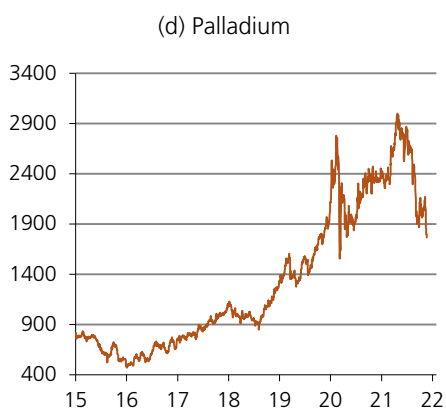
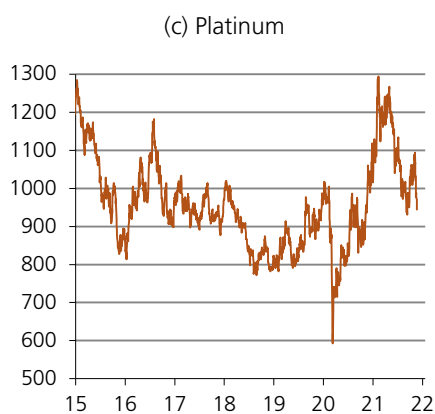
Because if people expect goods price inflation to rise and remain high in the future, they will adjust their wage, rental and credit agreements. For instance, employees will demand higher wages, property owners will ask for more money for the right to occupy a home, and lenders will increase their lending rates. If this is the case, the economy adjusts to higher goods price inflation, which is not only costly and leads to hardship for the broader population, but will also render the redistributive effects of goods price inflation ineffective.

Inflation is a politically induced process of redistributing income and wealth among people. It creates winners and losers. For example, as goods price inflation rises, debtors find relief, as they will be able to pay back their liabilities with money that has a lower purchasing power. The lender gets the short end of the stick. Owners of assets, which increase in price, benefit while the holders of money suffer: They can buy fewer assets for their money.

As things stand, central banks are now busy increasing the money supply, which is the direct result of the massive monetization of government debt. The resulting increase in the quantity of money, in turn, drives up goods price inflation – in the form of higher consumer goods prices and/or higher asset prices (that is, the prices of, say, stocks, bonds, housing etc.). Once the inflation process has started, it is rather difficult to stop it, politically speaking.

To end the inflation process, interest rates must be raised and the increase in the quantity of money reined in. The higher inflation has become, and the higher inflation expectations have risen, the more restrictive monetary policy must be. Unfortunately, central banks shy away from abandoning their infla-

Precious metal prices (USD/oz), last seven years



Source: Refinitiv; graphs Degussa.

tionary policy course, fearing that stepping on the brakes would plunge economies into recession and crash financial markets.

Meanwhile, the US Federal Reserve (Fed) Chairman Jerome Powell suggested that policymakers discuss accelerating the current “tapering timetable” of monthly bond purchases in December, which would open the door for earlier interest rate hikes. Clearly, there is no desire to change the course immediately. What seems to be intended is that people expect the Fed to do something about the inflation at some point in the more or less far future and that this will suffice to keep them sitting still.

So far, it seems to be working, as central banks are getting away with it. There is no upheaval among the population and loud complaints about higher goods price inflation. And while the money supply continues to expand at elevated rates, goods price inflation will likely remain high in the years to come, and people will probably get used to it – as they have become used to extremely low interest rates. This outlook seems to make sense in light of Mr Powell saying, “it’s probably a good time to retire” the word “transitory”.

Of course, the victim of an ongoing inflationary monetary policy, of a monetary policy allowing for higher goods price inflation, will be the purchasing power of money. Especially since the nominal market interest rates will be kept low by central banks so that the real, i.e. inflation-adjusted, interest rate will remain in negative territory. In such a regime of financial repression, physical gold and silver are viable options to escape the “inflation tax” on money.

The exchange value of these precious metals cannot be debased by monetary policy. They also do not carry a default or counterparty risk. Especially for long-term oriented investors, holding physical gold and silver as part of their liquid portfolio should be particularly worthwhile, as in the coming years, especially when purchased at current prices – which we consider to be relatively cheap, appearing to promise a substantial upwards potential –, they can be expected to be both risk-reducing and return-enhancing.

PRECIOUS METALS PRICES

In US-Dollar per ounce

	Gold		Silver		Platinum		Palladium	
I. Actual	1779.0		22.8		947.6		1744.8	
II. Gliding averages								
10 days	1812.9		23.9		1004.2		1948.0	
20 days	1822.0		24.2		1033.9		2003.6	
50 days	1791.8		23.6		1019.8		1998.3	
100 days	1792.8		23.9		1018.3		2234.8	
200 days	1791.6		25.2		1096.5		2470.8	
III. Estimates for end 2021	2448		47		1272		2710	
⁽¹⁾	38		107		34		55	
<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⁾	-2	51	1	142	0	55	31	67
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

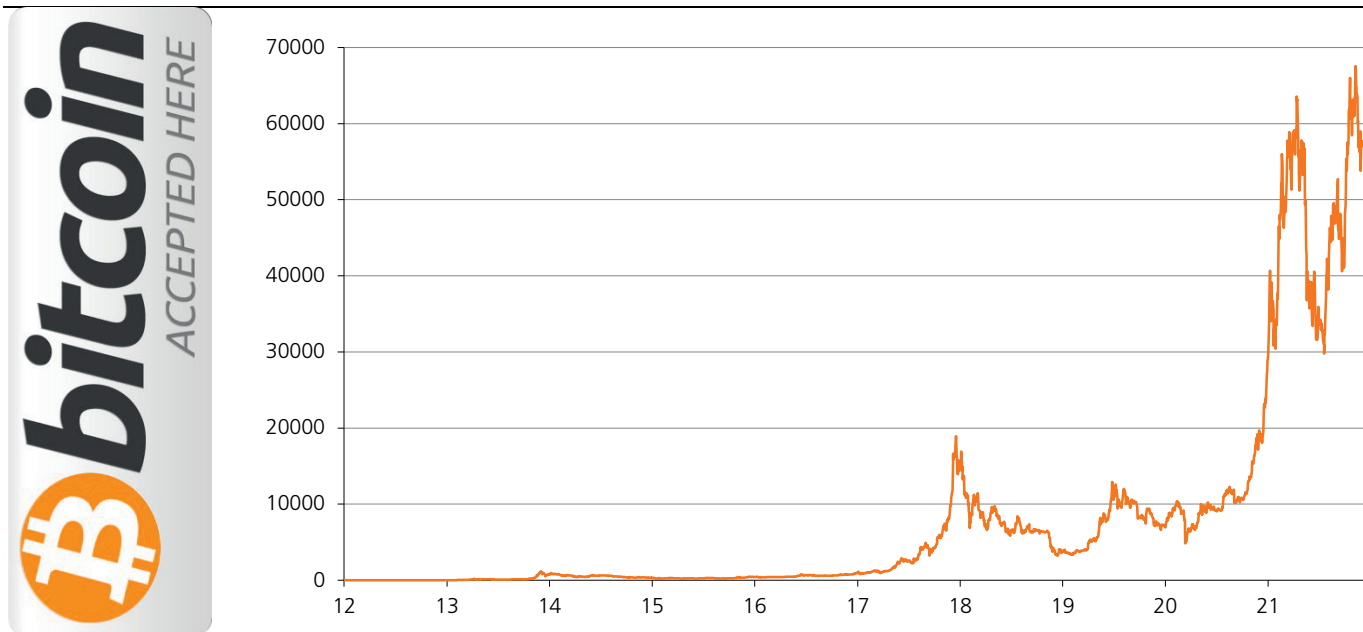
	Gold		Silver		Platinum		Palladium	
I. Actual	1570.3		20.1		836.5		1540.1	
II. Gliding averages								
10 days	1608.1		21.2		890.7		1727.8	
20 days	1599.9		21.2		907.6		1758.8	
50 days	1554.8		20.5		884.8		1733.7	
100 days	1538.1		20.5		873.6		1914.7	
200 days	1514.7		21.3		926.1		2084.8	
III. Estimates for end 2021	2044		39		1062		2263	
⁽¹⁾	30		95		27		47	
<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⁾	-6	44	-6	131	-4	48	25	59
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

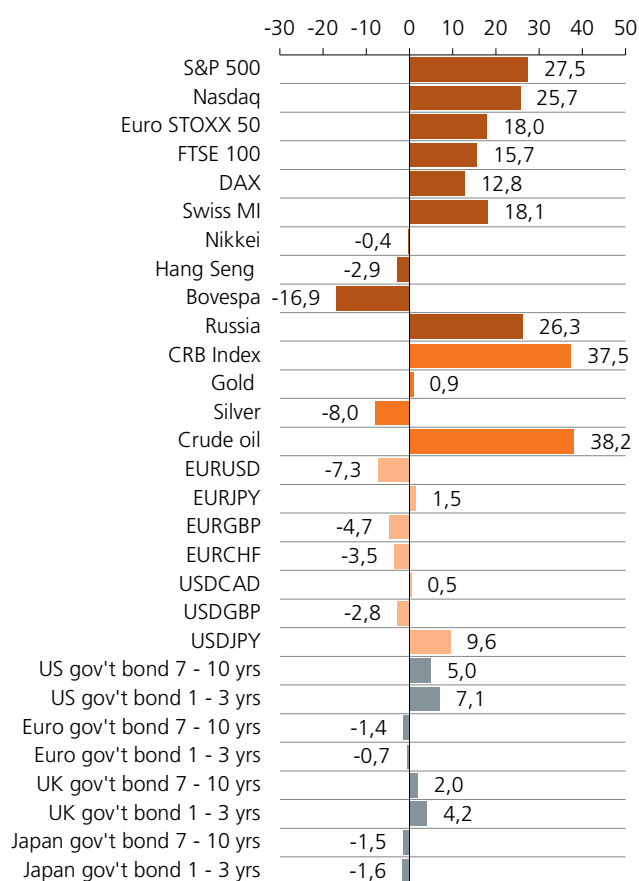
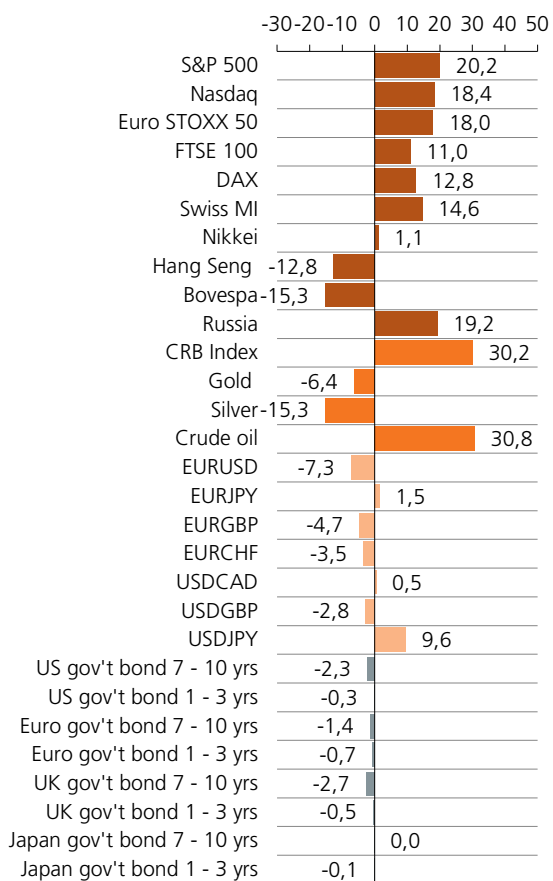


Source: Refinitiv; graph by Degussa.

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
2 December 2021	Inflation Is Not Temporary But Here To Stay
18 November 2021	The Case Against Gold And Silver. Revisited
4 November 2021	Stagflation Is Rearing Its Ugly Head
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

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Imprint

Marktreport is published every 14 days on Thursdays and is a free service provided by Degussa Goldhandel GmbH.

Deadline for this edition: 2 December 2021

Publisher: Degussa Goldhandel GmbH, Kettenhofweg 29, 60325 Frankfurt, Tel.: (069) 860068-0, Fax: (069) 860068-222

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Degussa Market Report is available on the Internet at: <http://www.degussa-goldhandel.de/marktreport/>



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