

20 Januar 2022

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	1.836,7	0,5	4,6	-1,3
Silver	24,0	3,0	8,0	-17,2
Platinum	1.026,0	6,6	6,5	-9,0
Palladium	2.013,0	6,4	5,4	-10,4
II. In euro				
Gold	1.618,1	0,6	6,7	4,9
Silver	21,1	3,2	10,4	-12,2
Platinum	903,9	6,8	8,6	-3,4
Palladium	1.773,0	6,6	7,6	-4,8
III. Gold price in other currencies				
JPY	209.885,0	-0,2	7,4	7,6
CNY	11.651,2	0,3	2,9	-3,1
GBP	1.345,8	-0,4	3,3	-1,1
INR	136.584,4	1,9	4,9	0,4
RUB	140.527,3	3,1	10,2	-0,6

Source: Refinitiv; calculations by Degussa.

OUR TOP ISSUES

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

OUTLOOK FOR GOLD AND SILVER – BRIGHTER THAN YOU THINK IT IS

The recovery of the world economy from the effects of the politically dictated lockdowns will most likely continue in 2022, albeit at a slower pace. We estimate world GDP to grow by 4.2 per cent, down from an estimated 5.8 per cent in 2021.¹ Of course, a number of risk factors remain – such as the development of the virus crisis, geopolitical tensions (in particular between the US and China as well as Russia and the western world), global energy security, etc.

However, it is no exaggeration to say that monetary policy ranks among the most important determinants in the current cycle. The recovery in economic activity worldwide has been fuelled by an exceptionally expansionary money policy. Central banks have pushed interest rates to zero, in some cases even below zero, and increased the quantity of credit and money supply on a grand scale. The result is an enormous ‘monetary overhang’ that drives up goods prices.

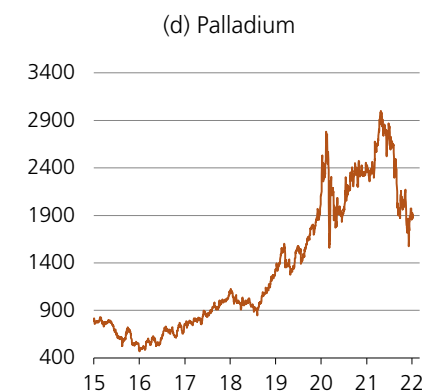
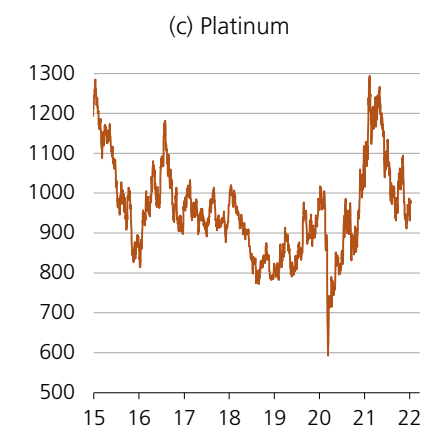
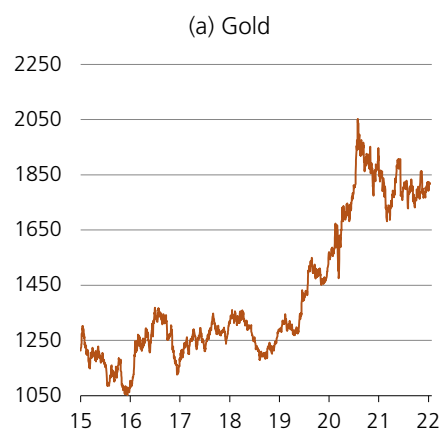
The US Federal Reserve (Fed) is about to change course. It plans to end its bond purchases in the near future and raise interest rates several times this year. Other major central banks are expected to most likely follow suit. The key question is: How will the economies and financial markets react to monetary policies ‘taking away the punch bowl’? While some policy tightening this year is likely from today’s point of view, the question is rather how far it will go.

Given the debt burden of the global economy, especially in the advanced economies, we find it very unlikely that interest rates will rise sharply or return into positive territory in real – that is, inflation-adjusted – terms. Central banks are likely to allow for goods price inflation to remain elevated for an extended period of time. ‘Keeping the economies going’ will enjoy policy priority over ‘preserving the purchasing power of money’.

While stock and property markets may experience some correction in the short-term (lowering valuation levels), persistently negative real interest rates should keep the upward trend in asset prices intact. Elevated consumer goods prices, accompanied by sustained asset price inflation, will increasingly erode the purchasing power of official currencies. In other words: Escaping the debasement of currency will remain a key challenge for savers and investors going forward.

¹ See Degussa Marktreport, Weltwirtschaft 2022: Mehr Inflation, weniger Wachstum, 20 January 2022.

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



Source: Refinitiv; graphs Degussa.

The widely held expectation that central banks tightening of monetary policy this year is keeping a lid on the prices of precious metals, gold in particular, for now. However, we believe that, at the end of the day, central banks will prioritize the goal of ‘keeping the economies going’ over ‘bringing inflation down’. This means that policy tightening will be much less pronounced and remain largely cosmetic, keeping inflation-adjusted interest rates well in negative territory.

Against this backdrop, we see a fairly good chance that the price of gold will return to its long-term upward trend – especially as we still consider the yellow metal to be undervalued at current prices. In particular, we expect institutional investor demand in gold to pick up, potentially taking gold prices higher towards 2.100 USD/oz this year.

The improvement in demand for silver in the industrial, electronic, and solar sectors bodes well for a rise in the silver price this year, especially given relatively tight supply-side conditions. Especially in view of a rising gold price, the price of silver has a good chance to rise – from our point of view, reaching 28.2 USD/oz seems quite possible.

The improvement in the world economy, especially the auto industry, should support the price of platinum. In addition, the push for ‘green policies’ has the potential to boost platinum demand. Overall, there is a good chance that the price of platinum will continue its recovery, which began in autumn 2020, and will move towards 1.175 USD/oz over the course of this year.

The palladium price correction seems to be over, and the current supply and demand conditions justify the expectation that palladium will rise in price. A price of around 2.260 USD/oz in the course of 2022 is plausible from our point of view, especially since a return of investor demand has a good chance of counteracting tepid demand from the industrial sector.

The overall outlook for precious metals appears brighter to us than to many other people these days. Of course, a key reason for this is our expectation that global monetary policy will be significantly less restrictive than widely anticipated. Against this backdrop we think that it makes sense for an investor to consider building up or expanding precious metals position in their portfolio.

PRECIOUS METALS PRICES

In US-Dollar per ounce

	Gold		Silver		Platinum		Palladium	
I. Actual	1839,1		24,0		1030,0		2022,4	
II. Gliding averages								
10 days	1811,0		22,8		968,6		1897,4	
20 days	1809,9		22,9		966,7		1906,7	
50 days	1807,5		23,1		976,6		1888,2	
100 days	1794,4		23,3		989,6		1972,9	
200 days	1803,7		24,7		1054,8		2352,8	
III. Estimates for end 2022	2100		28,2		1175		2261	
⁽¹⁾	14		18		14		12	
<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>
⁽¹⁾	1700	2280	21,0	31,0	830	1280	1650	2400
	-8	24	-12	29	-19	24	-18	19
V. Annual averages								
2019	1382		16,1		862		1511	
2020	1753		20,2		878		2180	
2021	1804		25,5		1095		2422	

In Euro per ounce

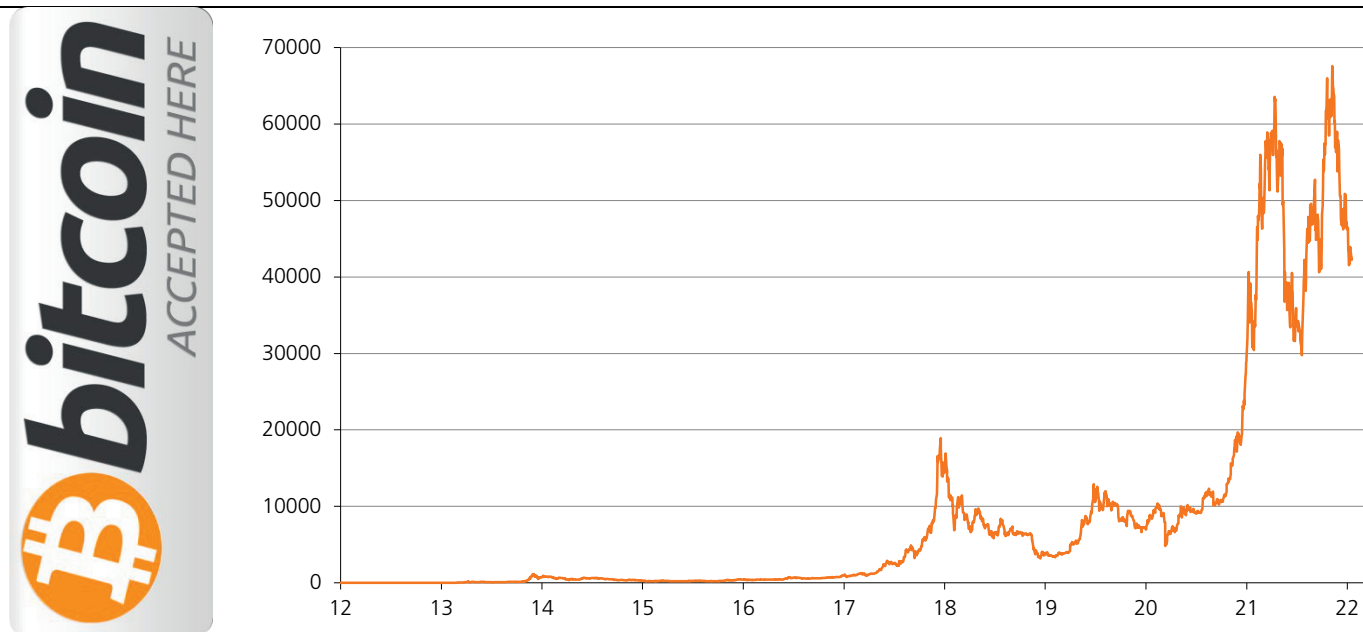
	Gold		Silver		Platinum		Palladium	
I. Actual	1620,6		21,1		907,7		1782,2	
II. Gliding averages								
10 days	1592,8		20,1		851,9		1668,8	
20 days	1595,1		20,2		851,9		1680,4	
50 days	1596,2		20,4		862,4		1667,2	
100 days	1561,2		20,3		860,8		1714,7	
200 days	1538,6		21,0		898,4		1999,6	
III. Estimates for end 2022	1944		26,1		1088		2093	
⁽¹⁾	20		23		20		17	
<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>
⁽¹⁾	1573	2110	19,4	28,7	760	1180	1520	2220
	-3	30	-8	36	-16	30	-15	25
V. Annual averages								
2019	1235		14		770		1350	
2020	1535		18		769		1911	
2021	1519		21		921		2035	

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

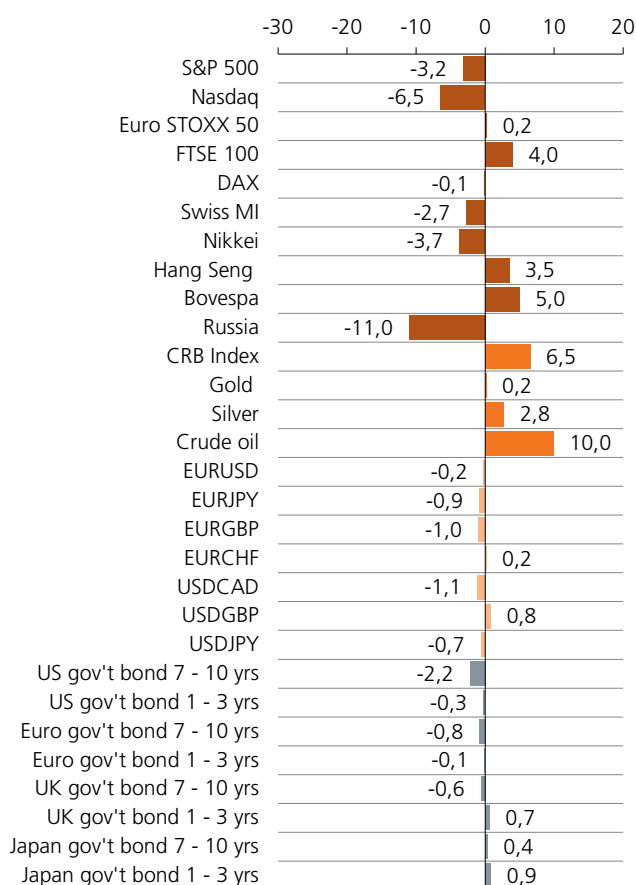
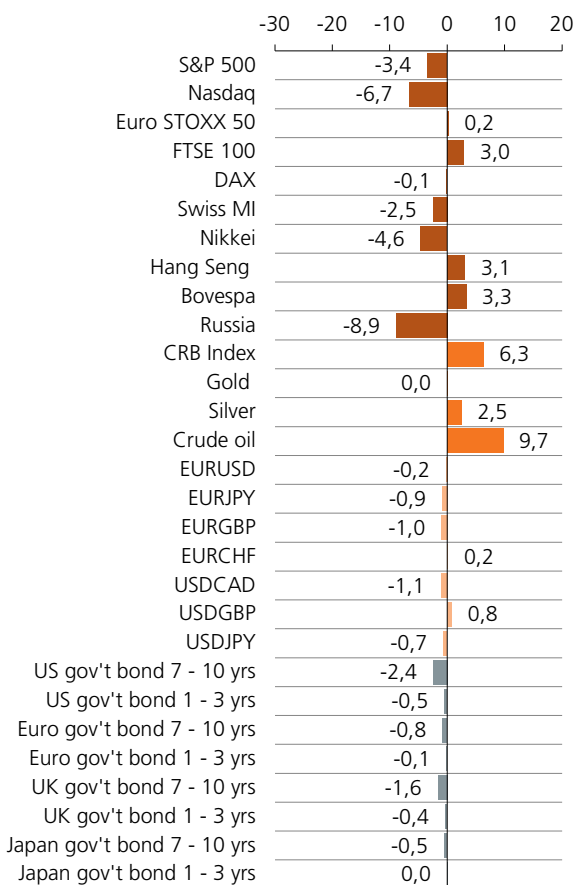


Source: Refinitiv; graph by Degussa.

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
20 January 2022	Outlook For Gold And Silber – Brighter Than You Think It Is
16 December 2021	Welcome to a new chapter in the boom-and-bust-drama
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
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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

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www.degussa-goldhandel.de/marktreport.

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E-Mail: info@degussa-goldhandel.de, Internet: www.degussa-goldhandel.de

Editor in chief: Dr. Thorsten Polleit

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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