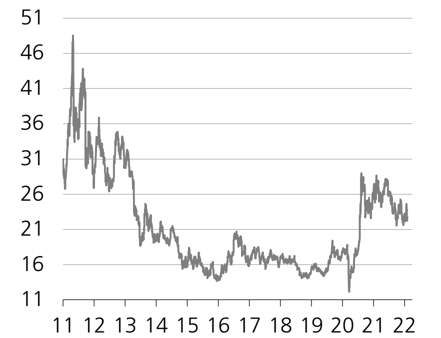
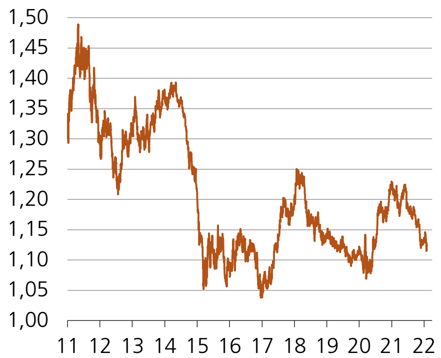
Degussa Market Report

3 February 2022 Economics · Finance · Precious Metals

USD per ounce of gold


USD per ounce of silver




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 | 1.802,8 | -0,8 | 0,5 | 4,6 |
| Silver | 22,8 | -0,7 | -5,1 | -14,0 |
| Platinum | 1.037,0 | 6,9 | -2,5 | -12,4 |
| Palladium | 2.391,4 | 27,3 | 16,8 | 1,8 |
| **II. In euro** | | | | |
| Gold | 1.593,3 | 0,1 | 3,2 | 11,3 |
| Silver | 20,1 | 0,2 | -2,7 | -8,5 |
| Platinum | 916,5 | 7,9 | 0,0 | -6,8 |
| Palladium | 2.114,0 | 28,5 | 19,4 | 8,2 |
| **III. Gold price in other currencies** | | | | |
| JPY | 206.139,0 | -0,7 | 0,9 | 12,0 |
| CNY | 11.467,1 | -0,7 | 0,0 | 2,9 |
| GBP | 1.329,5 | 0,1 | 1,3 | 7,4 |
| INR | 134.753,0 | 1,9 | 0,4 | 6,5 |
| RUB | 136.973,4 | -1,0 | 7,0 | 7,0 |

Source: Refinitiv; calculations by Degussa.

## OUR TOP ISSUES

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

# THE BIGGER GOLD PICTURE

Central banks, holding the money production monopoly, are powerful institutions. No doubt about that. In recent years, their power has grown even stronger, actually much stronger. Central banks have effectively brought credit markets under their control. They no longer limit themselves to setting short-term interest rates but also long term interest rates, particularly in government and bank bond markets. The standard procedure to do this is by buying bonds. As a result, interest rates are no longer determined by "free" supply and "free" demand for credit. The truth is that central banks bascially set the interest rate on bonds they deem politically expedient.

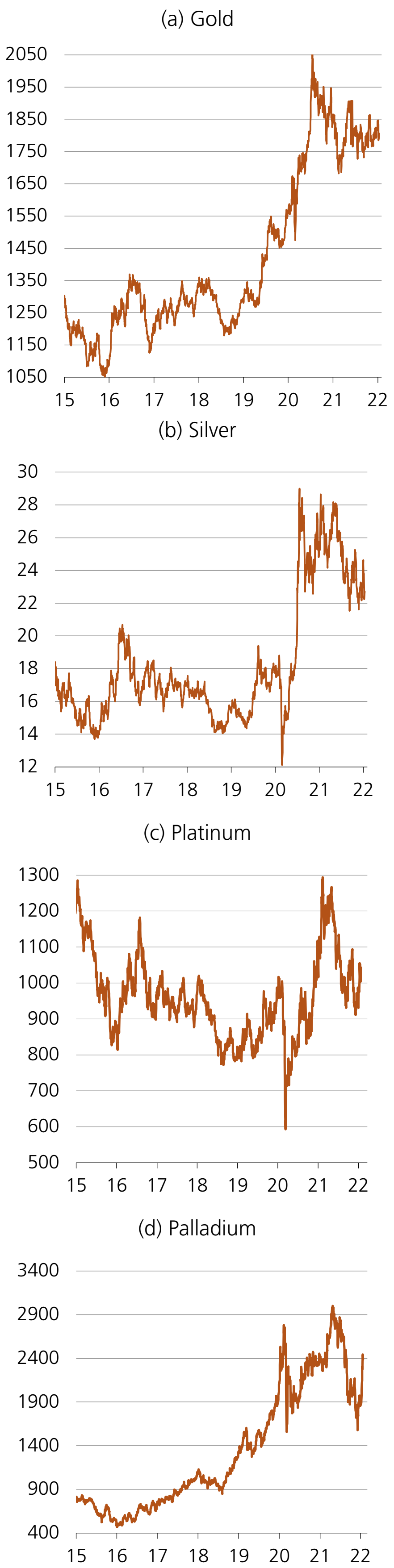
Central banks push interest rates to the lowest level possible. Why? Well, mainstream economics tells us that, to put it simply, the lower the interest rate is, the higher investment, output, and employment will be. Perhaps more importantly, governments prefer lower interest rates over higher interest rates. Because it makes borrowing cheaper, brings down interest expenditures within budget, allowing even more borrowing to keep "deficit spending" going. And central banks do what the government wants them to do. (Do not think that central banks' formal "political independence" would prevent this from happening.)

When market interest rates are manipulated downwards according to the preferences of government politicians (and special interest groups who use them for their purposes), economic and social life is bound to get into serious trouble. For instance, artificially lowered interest rates encourage people to save less and consume more of their current income. That means people become less concerned about their future and place more and more value on the satisfaction of present needs relative to future needs. This, in turn, has a negative impact on all areas of life. For example, the quality of education suffers; generational conflicts within families increase; divorce rates rise; etc.

What is more, artificially lowered interest rates entice entrepreneurs to invest in projects they would not invest in had the interest rate not been manipulated downwards, and which are only profitable if and when the interest rate remains artificially suppressed or is pushed down even further. In addition, people become increasingly indebted, making themselves dependent on, even addicted to, bank credit. Governments take advantage of artificially lowered interest rates to go on a borrowing spree – to finance all sorts of expenses: raising their own salaries and those of their employees, buying voter support, subsidizing certain industries, waging war. Artificially lowered interest rates are perhaps the most effective tools for expanding the state.

Last but not least, artificially lowered interest rates fuel the expansion of banking and the financial industry in general. It stimulates the demand for new credit. It

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




Source: Refinitiv; graphs Degussa.

increases the money supply in the economy, thereby driving up consumer goods and especially asset prices such as stock, bond, housing, and real estate prices. It does not take much to understand that this is a recipe for big profits as far as banks, financial asset managers and financial service providers are concerned; and that the banking and financial industry – which is, of course, influential in the political arena – is very vocal arguing that central banks should keep increasing the quantity of money in the economy.

Because it all boils down to raising the quantity of money. In fact, when the central bank, in close cooperation with commercial banks, increases the credit supply, the inevitable consequence is an increase in the quantity of money in the economy. An increasing money supply will eventually cause goods prices to increase (or at least to increase more than in a situation in which the quantity of money would have remained constant). The artificial lowering of interest rate by central banks thus sets in motion an inflationary process – a process that, if unchecked, will reduce, even ruin, the purchasing power of money over time.

I think I better stop right here – and recommend you, dear reader, to hold at least a portion of your liquid means in physical gold and silver. I do not have a crystal ball that tells me what will happen in the future. But I firmly believe that physical gold (and silver) will serve the long-term oriented investor well in times like this – just as gold has served its owners well for more than 5.000 years. In other words: Don't trust central banks. Trust in gold.

# PRECIOUS METALS PRICES

**In US-Dollar per ounce**

| | Gold | | Silver | | Platinum | | Palladium | |
|---|---|---|---|---|---|---|---|---|
| **I. Actual** | **1803,9** | | **22,8** | | **1034,8** | | **2391,6** | |
| II. Gliding averages | | | | | | | | |
| 10 days | 1821,7 | | 23,5 | | 1029,2 | | 2219,3 | |
| 20 days | 1816,4 | | 23,2 | | 998,9 | | 2058,4 | |
| 50 days | 1802,1 | | 22,9 | | 970,2 | | 1915,3 | |
| 100 days | 1796,0 | | 23,2 | | 993,4 | | 1964,9 | |
| 200 days | 1806,1 | | 24,5 | | 1045,8 | | 2322,8 | |
| **III. Estimates for end 2022** | **2100** | | **28,2** | | **1175** | | **2261** | |
| (1) | *16* | | *24* | | *14* | | *-5* | |
| *Band width* | *Low* | *High* | *Low* | *High* | *Low* | *High* | *Low* | *High* |
| | 1700 | 2280 | 21,0 | 31,0 | 830 | 1280 | 1650 | 2400 |
| (1) | *-6* | *26* | *-8* | *36* | *-20* | *24* | *-31* | *0* |
| 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**

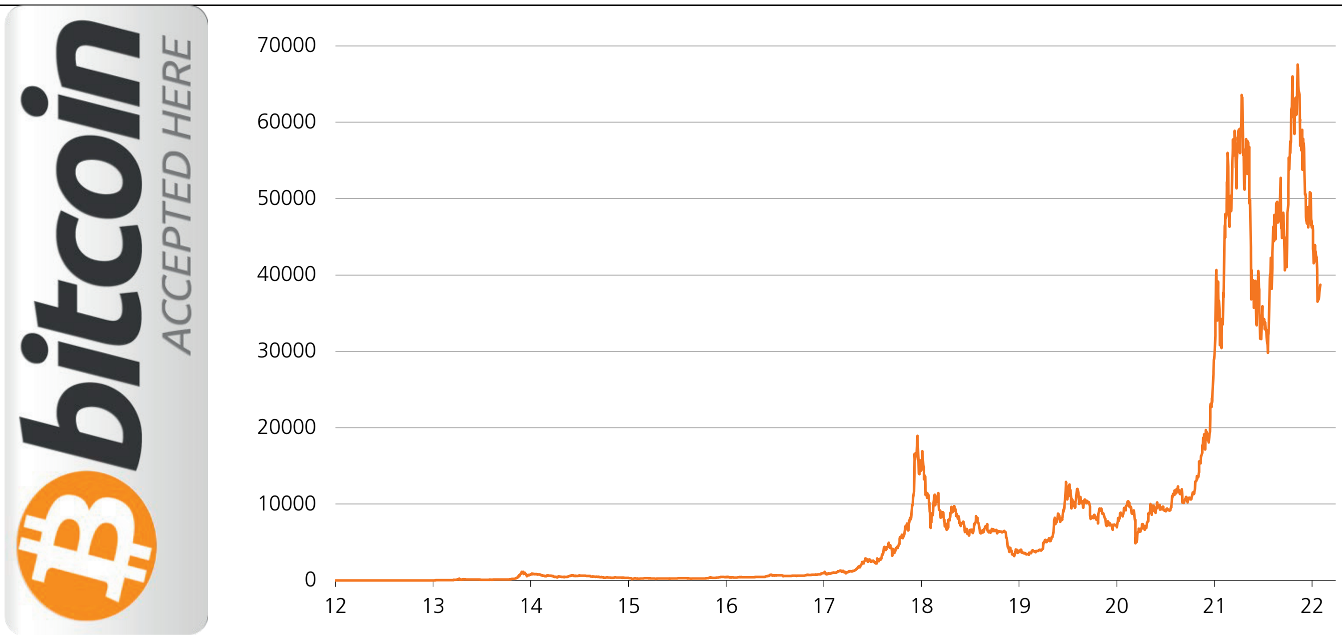
| | Gold | | Silver | | Platinum | | Palladium | |
|---|---|---|---|---|---|---|---|---|
| **I. Actual** | **1593,7** | | **20,2** | | **914,2** | | **2112,9** | |
| II. Gliding averages | | | | | | | | |
| 10 days | 1616,7 | | 20,8 | | 913,4 | | 1970,3 | |
| 20 days | 1604,7 | | 20,5 | | 882,6 | | 1819,5 | |
| 50 days | 1594,3 | | 20,2 | | 858,4 | | 1694,7 | |
| 100 days | 1570,4 | | 20,3 | | 868,4 | | 1717,6 | |
| 200 days | 1545,7 | | 21,0 | | 893,8 | | 1980,9 | |
| **III. Estimates for end 2022** | **1944** | | **26,1** | | **1088** | | **2093** | |
| (1) | *22* | | *29* | | *19* | | *-1* | |
| *Band width* | *Low* | *High* | *Low* | *High* | *Low* | *High* | *Low* | *High* |
| | 1573 | 2110 | 19,4 | 28,7 | 760 | 1180 | 1520 | 2220 |
| (1) | *-1* | *32* | *-4* | *42* | *-17* | *29* | *-28* | *5* |
| 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

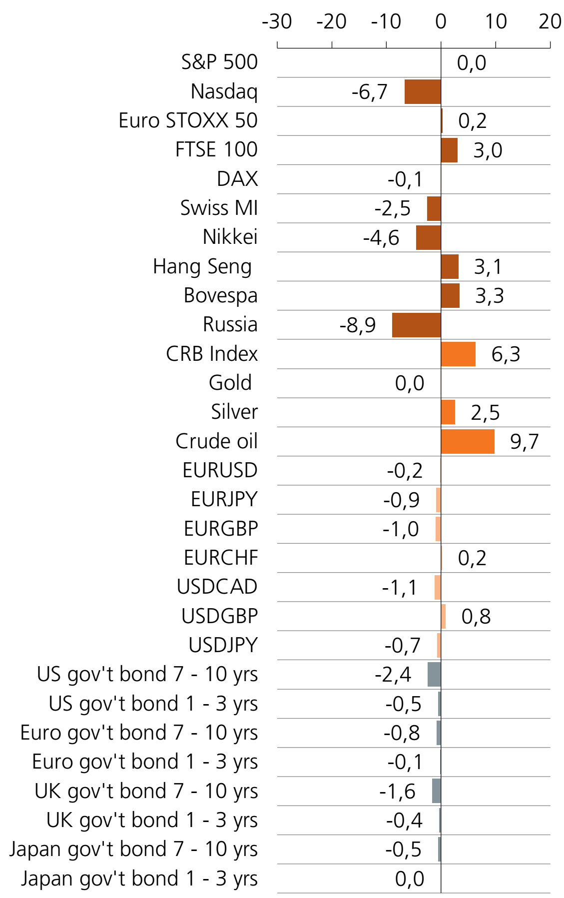
**Bitcoin in US dollars**



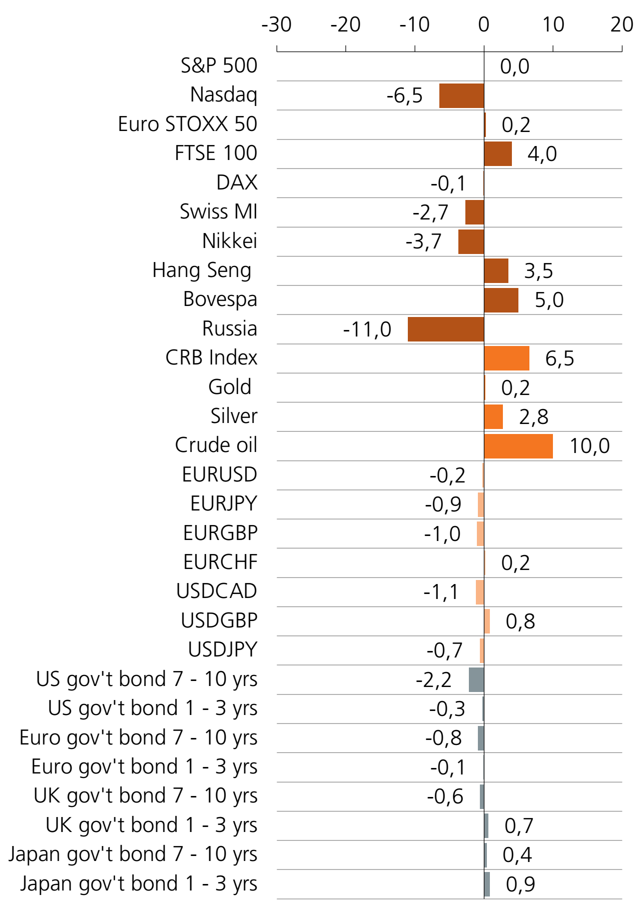

Source: Refinitiv; graph by Degussa.

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

(a) In national currencies




(b) In euro




Source: Refinitiv; calculations by Degussa.

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