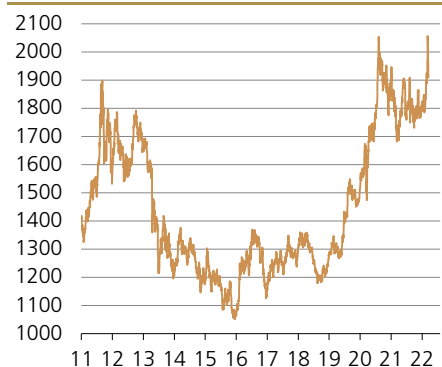


17 March 2022

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	1.939,3	2,7	9,3	13,6
Silver	25,3	4,4	10,8	3,6
Platinum	1.024,7	-2,8	9,7	-13,7
Palladium	2.463,9	4,1	41,8	-5,9
II. In euro				
Gold	1.753,9	4,7	12,1	20,5
Silver	22,8	6,4	13,5	9,9
Platinum	926,7	-0,9	12,1	-8,0
Palladium	2.228,0	6,1	45,2	-0,3
III. Gold price in other currencies				
JPY	230.229,0	5,5	14,7	21,8
CNY	12.310,2	3,2	9,1	10,1
GBP	1.470,5	4,5	10,3	18,7
INR	147.083,2	1,9	10,4	17,8
RUB	201.599,7	27,3	53,9	56,2

Source: Refinitiv; calculations by Degussa.

OUR TOP ISSUES

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

THERE IS NO RETURN TO NORMALITY. THE CASE FOR GOLD AND SILVER

Finally, the US Federal Reserve (Fed) did it: On 16 March 2022, it raised its interest rate by 0.25 percentage points, bringing the Federal Funds Rate to a range between 0.25 – 0.50 per cent. In addition, the Fed indicated that it would continue to raise interest rates in the months to come. Does this mean that the Fed is really ending its ultra-loose, rather inflationary monetary policy? Unfortunately, quite some doubts remain.

With consumer goods price inflation skyrocketing – in February, the US CPI was up close to 8 per cent against last year – the Fed must send a ‘signal of confidence’ to the general public if it does not want to lose its credibility altogether. At the same time, however, it would take a fairly strong increase in the Federal Funds Rate to bring real interest rates back into positive territory: Currently, the short-term US interest rate is hovering around an estimated *minus* 7.7 per cent – a record low.

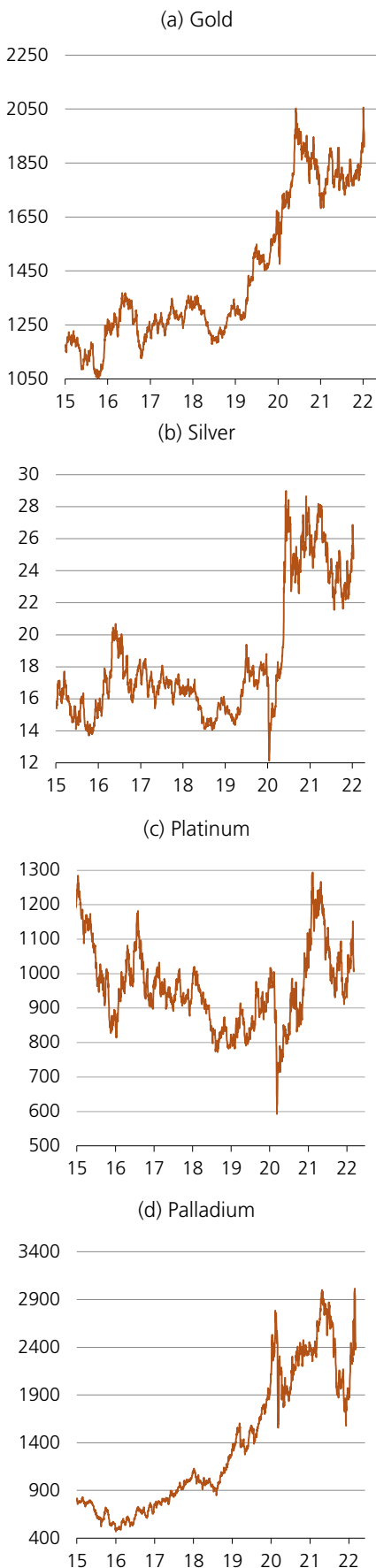
Imagine what would happen if the Fed brought the real interest rates back to a historically more ‘normal level’ of, say, 2 to 3 per cent. Rising credit and capital costs would most likely shatter the financial and economic system. Stock, bond, and real estate prices would deflate, causing substantial balance sheet losses for investors, firms, and private households. Many investment projects would turn out to be unprofitable; many firms would cut jobs.

In other words: returning interest rates to more normal levels would most likely result in a deep recession in the US economy. This, in turn, would almost certainly have negative consequences for the rest of the world economy. For the latter has also been fuelled by an ultra-easy monetary policy, strong credit and monetary expansion, in particular, made possible by the ultra-easy monetary conditions imposed by the Fed.

The key question is: will the Fed and other major central banks be prepared to defend the purchasing power of their currencies at the cost of decreased production and lost jobs? The answer is more likely no than yes. Of course, this is a rather uncomfortable truth. It is not supposed to become breaking news with the general public – because it could lead people to abscond from cash, which would amount to a ‘worst case’ scenario for the unbacked paper money system.

While the Fed and other major central banks may well raise their short-term interest rates somewhat further going forward, they are unlikely to push elevated inflation down to around 2 per cent anytime soon. Expect central banks to do

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



their very best to convince investors that the 'fight against inflation' is on, hoping that mostly words will suffice to keep people's confidence in the currency and that real policy tightening can be kept at a minimum.

The ongoing conflict in Ukraine and the economic, political, and military fallout it could have will most likely work in favour of central banks, allowing them to let price inflation to continue longer. That said, a further devaluation of the purchasing power of the US dollar, euro and the like is to be expected. That said, elevated and persistent price inflation is and will remain a key challenge for investors for the foreseeable future.

In this context, it should by no means be overlooked that inflation brings not only economic problems but also political unrest. Inflation encourages malinvestment and excessive consumption, resulting in impoverishment. Inflation can also all too easily result in political instability and radicalisation, posing a real risk to peaceful and production cooperation among people, both nationally and internationally. That said, investors should not underestimate the full cost spectrum of inflation.

There are various strategies to shield the investment portfolio against the vagaries of inflation. One option for the long-term oriented investor is holding some physical gold and silver. The latter cannot be debased by central banks' monetary policy, and they do not carry – unlike bank deposits – any payment, or: default, risk. If the conclusion of this article is correct – namely that there is no return to normality as far as monetary policy is concerned –, there is indeed a strong case to be made for holding physical gold and silver.

PRECIOUS METALS PRICES

In US-Dollar per ounce

	Gold		Silver		Platinum		Palladium	
I. Actual	1936,4		25,2		1019,5		2481,2	
II. Gliding averages								
10 days	1905,4		24,4		1077,1		2474,1	
20 days	1869,3		23,8		1051,7		2375,1	
50 days	1836,2		23,4		1014,9		2167,9	
100 days	1818,3		23,4		1009,7		2051,7	
200 days	1809,4		24,2		1028,3		2268,3	
III. Estimates for end 2022	2100		28,2		1175		2261	
⁽¹⁾	8		12		15		-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>
⁽¹⁾	1700	2280	21,0	31,0	830	1280	1650	2400
	-12	18	-17	23	-19	26	-33	-3
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

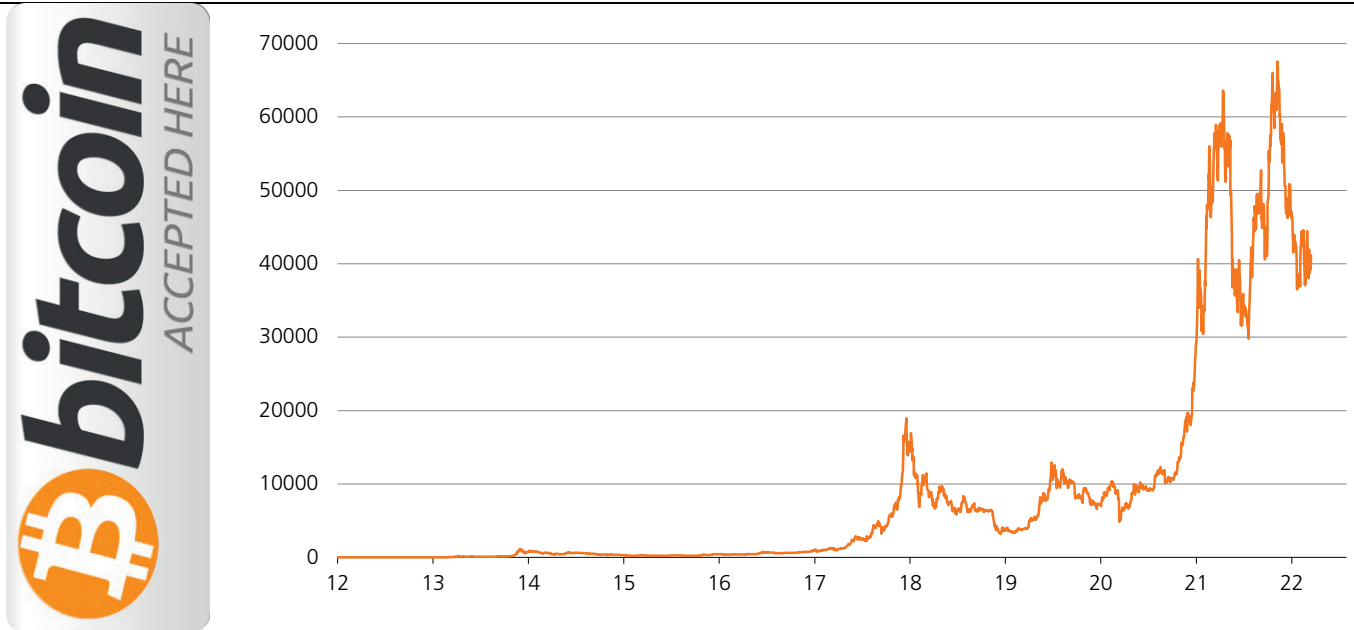
	Gold		Silver		Platinum		Palladium	
I. Actual	1750,2		22,8		921,5		2242,6	
II. Gliding averages								
10 days	1693,8		21,7		957,4		2200,2	
20 days	1650,6		21,0		928,6		2097,9	
50 days	1621,9		20,6		896,5		1915,5	
100 days	1599,3		20,6		887,9		1804,7	
200 days	1560,0		20,8		885,8		1950,7	
III. Estimates for end 2022	1944		26,1		1088		2093	
⁽¹⁾	11		15		18		-7	
<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
	-10	21	-15	26	-18	28	-32	-1
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

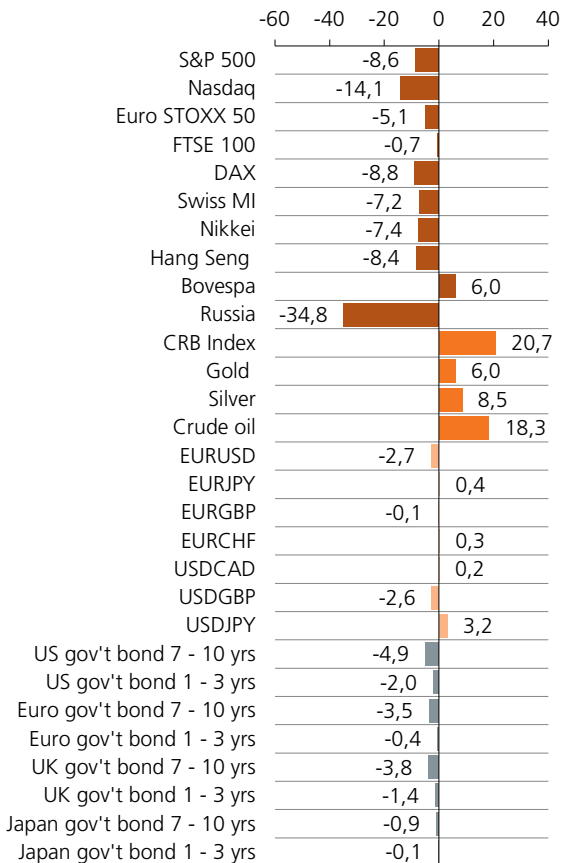
Bitcoin in US dollars



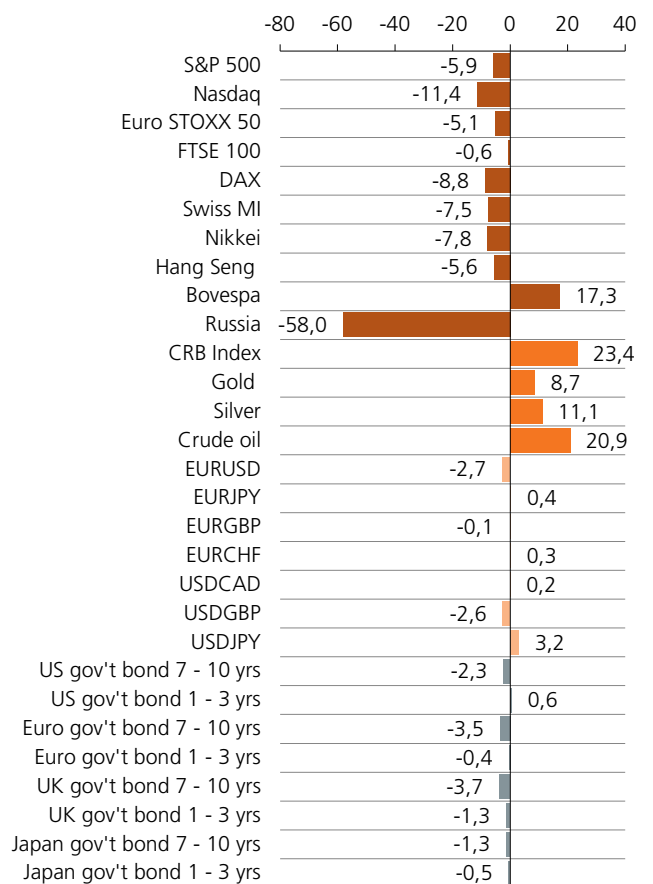
Source: Refinitiv; graph by Degussa.

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*

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17 February 2022	The Inflation beast is bigger than you think it is
3 February 2022	The Bigger Gold Picture
20 Januar 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
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

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www.degussa-goldhandel.de/de/marktreport.aspx.

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