

7 July 2022

Economics · Finance · Precious Metals

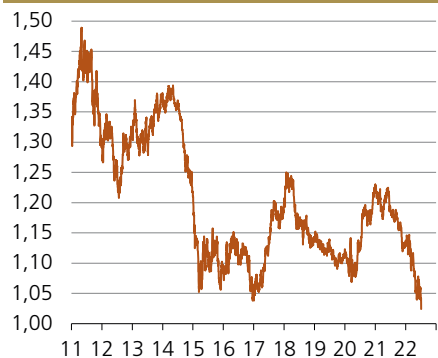
USD per ounce of gold



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	1.767,8	-3,9	-8,7	-2,5
Silver	19,3	-10,9	-22,1	-24,2
Platinum	861,8	-7,6	-12,4	-17,8
Palladium	1.938,4	6,8	-14,3	-27,1
II. In euro				
Gold	1.723,0	-1,6	-1,5	12,8
Silver	18,8	-8,8	-16,1	-12,4
Platinum	840,0	-5,3	-5,3	-4,9
Palladium	1.889,0	9,3	-7,6	-15,7
III. Gold price in other currencies				
JPY	239.045,0	-3,7	1,5	20,2
CNY	11.853,9	-4,0	-3,4	1,2
GBP	1.478,1	-1,7	0,3	13,3
INR	140.235,2	1,9	-4,6	4,0
RUB	115.380,1	16,2	-24,8	-12,9

Source: Refinitiv; calculations by Degussa.

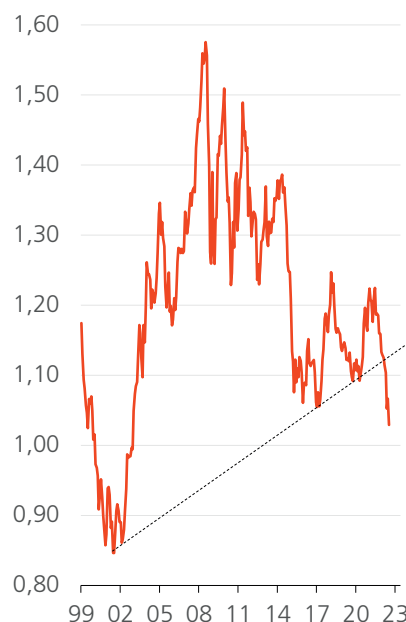
OUR TOP ISSUES

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

I'M SORRY TO SAY, BUT IT DOESN'T LOOK GOOD. KEEP AT LEAST SOME GOLD

The politically-dictated lockdowns have caused tremendous damage in many economies around the world. They have brought the production and employment structure out of balance in quite a few vital industries. "Green policy" amplifies the economic pain further. The deliberate increase in energy prices will not allow the economies to simply return to their pre-corona setup. A major reallocation of capital will be required, destroying much existing capital in the process. All this is rather costly, and a noticeable decline in people's standard of living is the inevitable consequence.

(a) EURUSD



Source: Refinitiv; graphs Degussa.

(b) Gold price (USD/oz)



On top of that, central banks have been pursuing an extremely inflationary monetary policy in recent years – as indicated by record low (real) interest rates and an enormous increase in the quantity of money. In particular, they have been monetizing government debt. The newly created money was used to fund government spending to support aggregate demand. The artificial stimulus funded by an increase in the money supply has in great part covered up the true costs of the economic adjustment required by the "green policies", thereby reducing public resistance.

The “negative price shock” resulting from politically dictated lockdowns and green policies, most recently exacerbated by the Russian-Ukrainian war, hits a huge “monetary overhang”, resulting in a sharp and ongoing rise of goods prices across the board that is causing very high inflation. This means great pain for many businesses and households. For instance, firms’ production costs are rising, lowering profits, and consumers are forced to reduce their spending. High inflation distorts relative prices, luring entrepreneurs into making unwise investment decisions.

Preventing the economies from slipping into a rather deep recession will require more deficit spending – and this will most likely find approval in political circles. As the issuance of additional government debt threatens to drive up interest rates – something governments do not want – central banks must continue to buy bonds and pay for their purchases with newly created money. This, however, will certainly add to the inflation problem – and trigger significant social-political backlash. Likely, such a scenario will sooner or later be accompanied by public protest and even unrest (aggressive collective negotiations and strikes).

Why not end the inflation policy and allow a deep recession as economies adjust to the new reality of a fossil-free economic system? The answer is that the existing fiat money system would likely collapse if and when key figures (such as nominal gross domestic product, nominal incomes and profits) contract sharply. This would most likely be the case should central banks end their negative real interest rate policy and their policy of increasing the money supply. And this is how the “Great Transformation” paves the way toward a severe debasement of the purchasing power of fiat currencies.

One of the biggest problems with inflation is that it provides an opportunity for governments to take action and further cut back what little is left of the free market system – for example, by imposing price controls (maximum prices for goods that are particularly scarce and minimum prices for wages etc.) and the payment of subsidies to ailing industries. While the government becomes more powerful, the efficiency of the economic system dwindles, resulting in a further deterioration of peoples’ material well-being. And it also exacerbates the ultimate adjustment crisis.

One can only hope that things will change for the better soon. At this point, however, many of the world’s major economies have adopted a political agenda that will propel them into tough times, the full extent of which many people have not realized yet. Investors have good reason to expect that the purchasing power of the currencies will fall significantly in the coming years. It also seems likely that the revaluation of assets – stocks, bonds, real estate, etc. – around the world will be considerable. Investors face the risk of great losses and, at the same time, chances for attractive returns.

It is an economic and political environment in which holding at least some physical gold and silver in your portfolio is prudent. The purchasing power of gold cannot be debased by monetary policy. What is more, gold does not carry a payment or default risk, as is certainly the case with bank deposits. Purchased at current prices, gold and silver may well be viewed as insurance with a substantial upward price potential. ***

PRECIOUS METALS PRICES

In US-Dollar per ounce

	Gold		Silver		Platinum		Palladium	
I. Actual	1767,6		19,3		863,9		1943,3	
II. Gliding averages								
10 days	1816,1		20,6		905,9		1904,8	
20 days	1826,7		21,1		930,5		1892,4	
50 days	1843,5		21,7		949,5		1999,8	
100 days	1891,1		23,3		986,2		2232,6	
200 days	1846,9		23,3		993,0		2114,7	
III. Estimates for autumn 2023	2200		28		1070		2261	
⁽¹⁾	24		45		24		16	
<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⁾	1800	2398	21,0	31,0	830	1280	1650	2400
	2	36	9	61	-4	48	-15	23
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

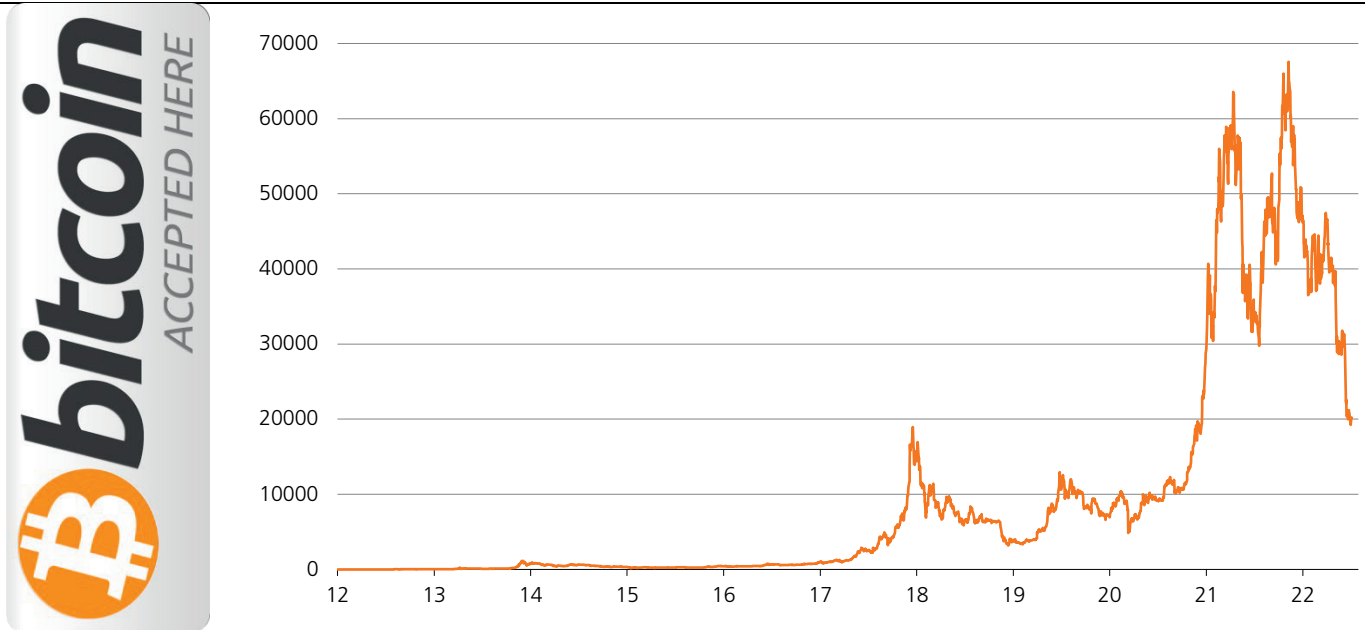
	Gold		Silver		Platinum		Palladium	
I. Actual	1723,8		18,8		842,5		1895,2	
II. Gliding averages								
10 days	1733,4		19,7		864,6		1818,3	
20 days	1739,9		20,1		886,1		1802,5	
50 days	1746,3		20,5		899,3		1894,3	
100 days	1754,0		21,6		914,1		2067,1	
200 days	1667,3		21,0		895,3		1908,9	
III. Estimates for autumn 2023	2281		29		1110		2345	
⁽¹⁾	32		54		32		24	
<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⁾	1867	2487	21,8	32,1	860	1320	1710	2480
	8	44	16	71	2	57	-10	31
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

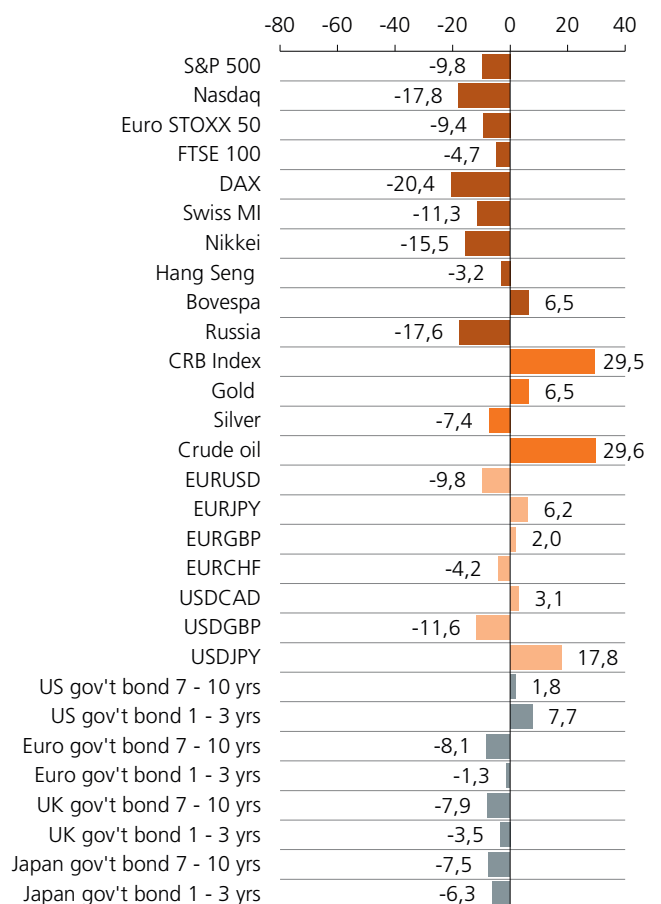
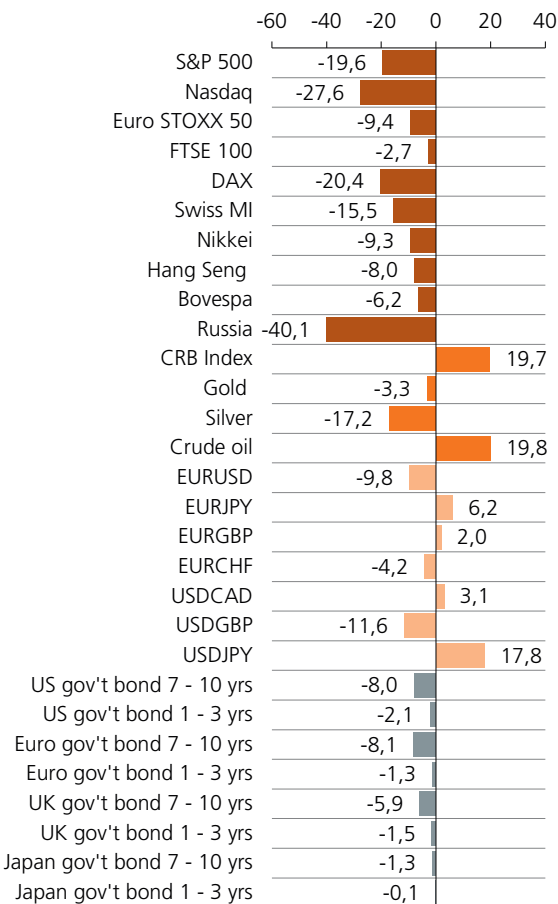


Source: Refinitiv; graph by Degussa.

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
7 July 2022	I'm Sorry To Say, But It Doesn't Look Good. Hold At Least Some Gold
23 June 2022	On The Future Of Markets And Money
9 June 2022	Interest Rates Rise. Financial Repression Continues
26 May 2022	Crisis Risk On The Rise. Gold As Insurance
12 May 2022	The Fed Makes Boom & Bust, And What It Means For Gold
28 April 2022	The Fed's Boom And Bust Cycle – And What It Means For Your Money
14 April 2022	Do You Know What Inflation Really Is? Then Hold Gold And Silver
31 March 2022	How Not To Get Battered
17 March 2022	There is no Return to Normality. The Case for Gold and Silver
3 March 2022	Gold: Too Low For Too Long
17 February 2022	The Inflation beast is bigger than you think it is
3 February 2022	The Bigger Gold Picture
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
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

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

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