

4 August 2022

Economics · Finance · Precious Metals

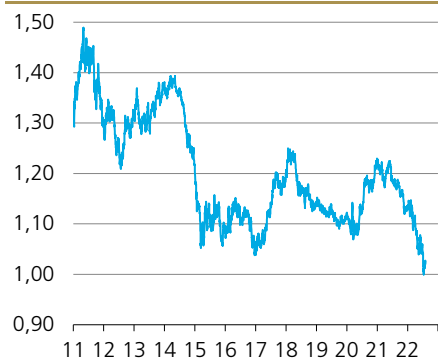
## USD per ounce of gold



## 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
<b>I. In US-dollar</b>				
Gold	1.761,3	3,2	-7,1	-2,9
Silver	19,9	6,3	-12,7	-16,8
Platinum	890,9	4,7	-4,3	-12,0
Palladium	2.050,5	12,1	-11,6	-16,9
<b>II. In euro</b>				
Gold	1.730,1	2,2	-3,8	12,7
Silver	19,5	5,3	-9,7	-3,5
Platinum	874,7	3,9	-1,4	1,9
Palladium	2.013,0	11,0	-8,6	-3,7
<b>III. Gold price in other currencies</b>				
JPY	235.102,0	-0,6	-4,5	17,9
CNY	11.904,2	3,2	-5,0	1,7
GBP	1.445,8	0,4	-4,1	9,7
INR	139.538,8	1,9	-3,8	5,5
RUB	102.467,3	10,1	-23,0	-22,7

Source: Refinitiv; calculations by Degussa.

## OUR TOP ISSUES

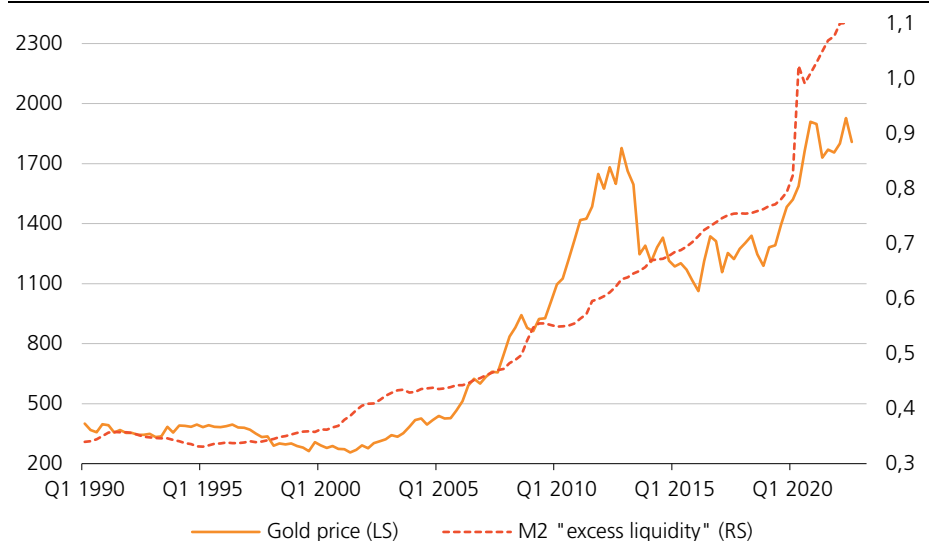
This is a short summary of our fortnightly **Degussa Marktreport**.

## EXCESSIVE MONEY GROWTH LEADS TO SUPER-HIGH INFLATION

Inflation – meaning the sustained rise in the price of goods across the board – is a curse for most people. It reduces the purchasing power of money and savings, making people poorer. Even though you work diligently and conscientiously, the purchasing power of the money you get for it dwindles. Inflation – when very high – causes particularly serious damage to an economy; high inflation can even ruin and destroy it. The history of money is full of examples. What is the cause of inflation?

### 1 Monetary liquidity drives up the price of gold

Gold price (USD/oz) and a measure of 'excess liquidity'

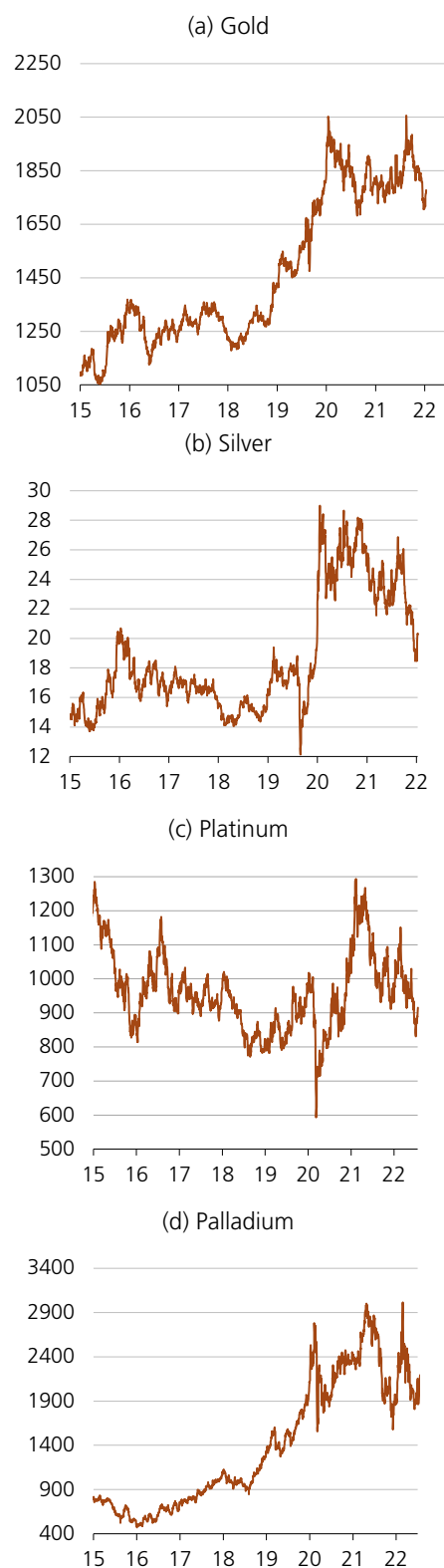


Source: Refinitiv; calculations Degussa.

We typically do not get a clear answer to this question from politicians, bureaucrats, central bank councillors, and the mainstream economists who work for them; it is often sidestepped, much like the devil avoids holy water. From an economic point of view, however, the answer is clear: inflation is always and everywhere a monetary phenomenon. That means it has something to do with money. In a pure barter economy, where there is no money, there is no such thing as inflation.

It is not difficult to understand that inflation – the continued rise in the price of goods across the board – is always and everywhere a monetary phenomenon. You only need to know three things.

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



Source: Refinitiv; graphs Degussa.

First, money is a good like any other. What sets it apart is that it is the most marketable, the most liquid good. Money can be exchanged for all other goods better than other goods.

Second, money is neither a consumer nor a production good, but the economy's exchange good. Money has only one function, namely that of a medium of exchange. Store of value and unit of account functions are merely subfunctions of money's exchange function.

Third – and very important – the determination of the value of a good is governed by the law of diminishing marginal utility. What does it mean?

The law of diminishing marginal utility says two things: On the one hand, it says that people prefer a larger stock of goods to a smaller one. Because a larger supply of goods allows them to achieve more goals than a smaller supply of goods.

On the other hand, the law of diminishing marginal utility states that the utility of the additional unit of goods received (that is, its marginal utility) decreases. This can be explained in terms of action logic: The first unit of a good a person receives is used to satisfy the most urgent need.

The second unit a person receives is used to meet the remaining need, which is, of course, less urgent than the need met by the previously received unit. Similarly, the third unit a person receives serves to meet the remaining need—which, however, is less urgent than the need met with the second unit, which is less urgent than the need met with the first unit.

In other words, the marginal utility that a person attributes to a good decreases as the availability of the good increases. And let me emphasize here that it is the marginal utility that determines the value of a good from the actor's perspective.

As I already said – money is a good like any other. And with that, its valuation also falls under the law of diminishing marginal utility.

With this explanation, it is also clear what happens when the money supply in the economy increases – for example, when the central bank issues new money.

When a person receives new money, their previously prevailing value scale changes: The marginal utility of the additional monetary unit decreases – while, at the same time, the marginal utility of the units of goods that can be bought with money increases accordingly.

It is impossible to say exactly when and at what point a person will react to the increase in the money supply (which reduces the marginal utility of their money holdings), i.e. by exchanging money for goods. It is just as impossible to predict exactly which goods will become more expensive and to what degree.

But there is no doubt that eventually people will – other things being equal – start holding more goods and less money in their portfolios. This qualitative statement is a direct result from the law of diminishing marginal utility, which determines the value of goods and thus the value of money.

If the new money is offered in exchange for goods (such as food, energy, houses, stocks, etc.), the prices for these goods rise, meaning more money units must be paid to buy a good. The increase in the price of goods can be absolute (i.e. an

apple increases in price from 1 euro per piece to 2 euros per piece) or relative; in any case, the price of goods will be higher compared to a situation in which the money supply has not been expanded.

So you can see that the increase in the amount of money in the hands of market participants causes a change in the value of money – more precisely: the marginal utility of money, its value decreases relative to other goods you can buy with your money.

And the reality is that an increasing money supply goes hand in hand with rising goods prices. Rising commodity prices are a symptom of a cause, and the cause is the increase in the money supply.

The fact that inflation has risen so sharply worldwide in recent months is not due, for example, to rising energy costs or the shortage of goods triggered by the lockdown crises.

In the short term, these cost-push effects can drive up the prices of this or that product group. But without a corresponding expansion in the money supply, cost-push effects will not translate into a sustained increase in goods prices across the board, that is, inflation.

Just look at the data. The US Federal Reserve has increased the M2 money supply by around 43 per cent since the end of 2019, and the European Central Bank has increased the M3 money supply by a good 20 per cent. This has created a huge money supply overhang, which is now being reduced primarily by rising goods prices.

The money supply overhang accumulated on both sides of the Atlantic will thus further reduce the purchasing power of the US dollar and the euro. And as central banks continue to keep interest rates artificially low, and inflation continues to be higher than the prevailing market yields, holding US dollar and euro will continue to result in heavy losses, not just in 2022 but well beyond.

It is no coincidence that central banks are driving inflation higher. The devaluation of money associated with this should help to reduce the over-indebtedness of the states, to relieve the states of debt at the expense of the money holders.

In doing so, central banks also support anti-free market economic policies, which are promoted under the headline of “the Great Reset” on a worldwide scale.

What should investors do? Investors should keep as little US dollar, euro & co in their portfolio as possible. So minimize cash holdings. Any amount beyond transaction balances and a small buffer should be reallocated. On the one hand, it makes sense to hold part of the liquid funds in physical gold and silver. The purchasing power of these precious metals cannot be debased by central banks’ inflation policy.

## PRECIOUS METALS PRICES

In US-Dollar per ounce

	Gold		Silver		Platinum		Palladium	
<b>I. Actual</b>	<b>1762,2</b>		<b>19,9</b>		<b>894,0</b>		<b>2054,7</b>	
II. Gliding averages								
10 days	1736,7		19,3		886,2		2023,0	
20 days	1732,2		19,2		873,4		2002,2	
50 days	1793,9		20,5		916,8		1960,0	
100 days	1850,5		22,2		945,2		2110,8	
200 days	1842,9		22,9		979,2		2114,7	
<b>III. Estimates for autumn 2023</b>	<b>2200</b>		<b>28</b>		<b>1070</b>		<b>2261</b>	
<sup>(1)</sup>	25		41		20		10	
<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>
<sup>(1)</sup>	1800	2398	21,0	31,0	830	1280	1650	2400
	2	36	6	56	-7	43	-20	17
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

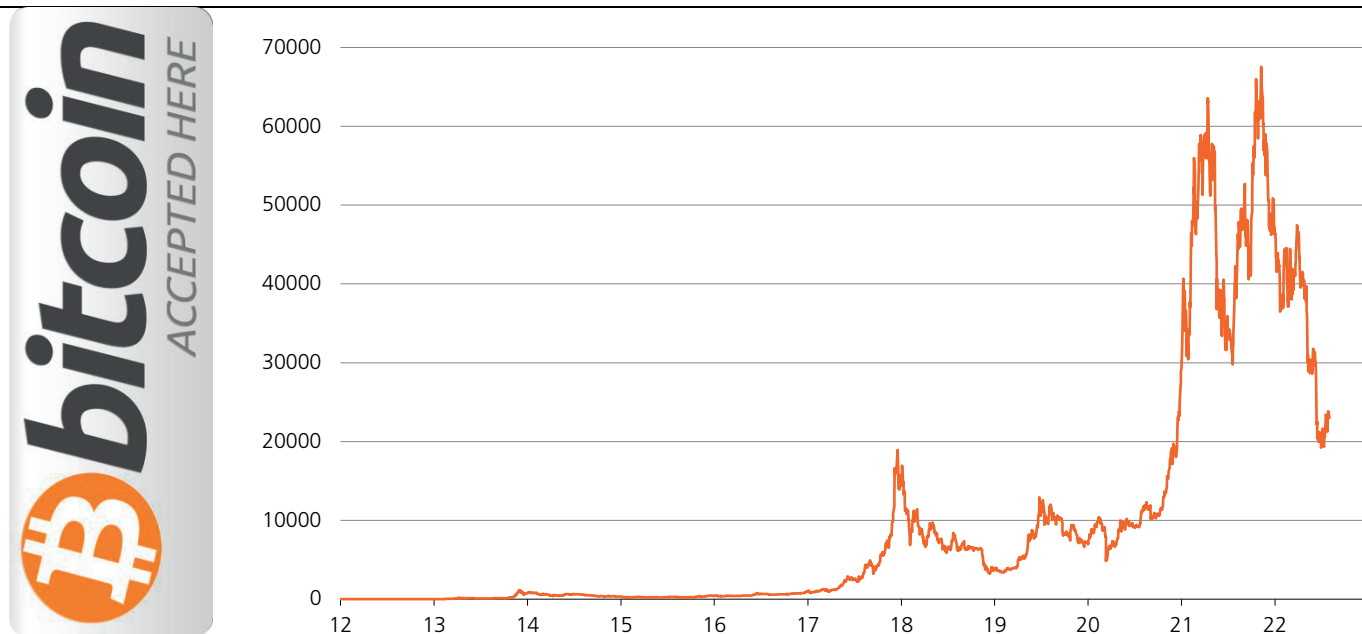
	Gold		Silver		Platinum		Palladium	
<b>I. Actual</b>	<b>1731,1</b>		<b>19,5</b>		<b>878,2</b>		<b>2018,4</b>	
II. Gliding averages								
10 days	1703,8		18,9		869,4		1984,6	
20 days	1704,7		18,8		859,5		1970,5	
50 days	1723,5		19,7		880,5		1884,6	
100 days	1747,0		20,9		892,2		1991,4	
200 days	1685,1		20,9		894,0		1933,3	
<b>III. Estimates for autumn 2023</b>	<b>2281</b>		<b>29</b>		<b>1110</b>		<b>2345</b>	
<sup>(1)</sup>	32		49		26		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>
<sup>(1)</sup>	1867	2487	21,8	32,1	860	1320	1710	2480
	8	44	12	65	-2	50	-15	23
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.

<sup>(1)</sup> On the basis of actual prices.

# BITCOIN, PERFORMANCE OF VARIOUS ASSET CLASSES

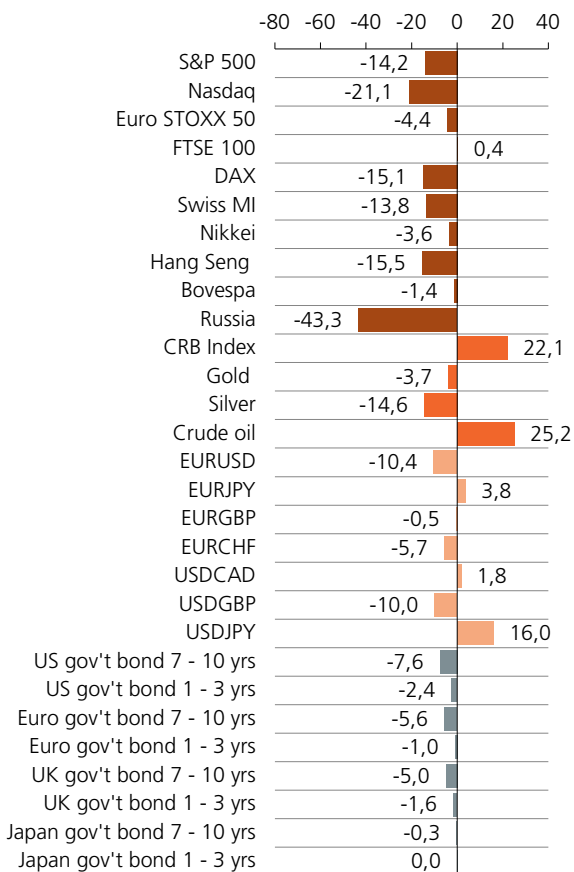
## Bitcoin in US dollars



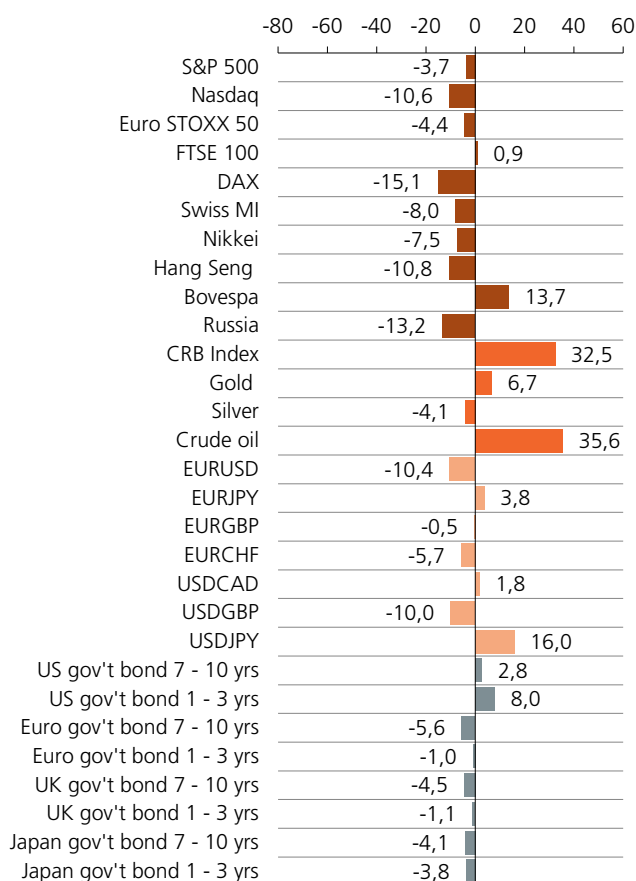
Source: Refinitiv; graph by Degussa.

## 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
4 August 2020	Excessive Money Growth Leads To Super-High Inflation
21 July 2022	Dollar Dominance Brings Yen And Euro To Their Knees
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

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

## Disclaimer

Degussa Goldhandel GmbH, Frankfurt am Main, is responsible for creating this document. The authors of this document certify that the views expressed in it accurately reflect their personal views and that their compensation was not, is not, nor will be directly or indirectly related to the recommendations or views contained in this document. The analyst(s) named in this document are not registered / qualified as research analysts with FINRA and are therefore not subject to NASD Rule 2711.

This document serves for information purposes only and does not take into account the recipient's particular circumstances. Its contents are not intended to be and should not be construed as an offer or solicitation to acquire or dispose of precious metals or securities mentioned in this document and shall not serve as the basis or a part of any contract.

The information contained in this document was obtained from sources that Degussa Goldhandel GmbH holds to be reliable and accurate. Degussa Goldhandel GmbH makes no guarantee or warranty with regard to correctness, accuracy, completeness or fitness for a particular purpose.

All opinions and views reflect the current view of the author or authors on the date of publication and are subject to change without notice. The opinions expressed herein do not necessarily reflect the opinions of Degussa Goldhandel GmbH. Degussa Goldhandel GmbH is under no obligation to update, modify or amend this document or to otherwise notify its recipients in the event that any circumstance mentioned or statement, estimate or forecast set forth in this document changes or is subsequently rendered inaccurate.

The past performance of financial instruments is not indicative of future results. No assurance can be given that any views described herein would yield favorable returns on investments. There is the possibility that said forecasts in this document may not come to pass owing to various risk factors. These include, without limitation, market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information and/or the circumstance that underlying assumptions made by Degussa Goldhandel GmbH or by other sources relied upon in the document should prove inaccurate.

Neither Degussa Goldhandel GmbH nor any of its directors, officers or employees shall be liable for any damages arising out of or in any way connected with the use of this document and its content.

Any inclusion of hyperlinks to the websites of organizations in this document in no way implies that Degussa Goldhandel GmbH endorses, recommends or approves of any material on or accessible from the linked page. Degussa Goldhandel GmbH assumes no responsibility for the content of and information accessible from these websites, nor for any consequences arising from the use of such content or information.

This document is intended only for use by the recipient. It may not be modified, reproduced, distributed, published or passed on to any other person, in whole or in part, without the prior, written consent of Degussa Goldhandel GmbH. The manner in which this document is distributed may be further restricted by law in certain countries, including the USA. It is incumbent upon every person who comes to possess this document to inform themselves about and observe such restrictions. By accepting this document, the recipient agrees to the foregoing provisions.

### Imprint

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

**Deadline for this edition:** 4 August 2022

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

E-Mail: [info@degussa-goldhandel.de](mailto:info@degussa-goldhandel.de), Internet: [www.degussa-goldhandel.de](http://www.degussa-goldhandel.de)

**Editor in chief:** Dr. Thorsten Polleit

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

**Degussa**   
GOLD UND SILBER.

### Frankfurt Headquarters

Kettenhofweg 29 · 60325 Frankfurt

Phone: 069-860 068 – 0 · [info@degussa-goldhandel.de](mailto: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](mailto:augsburg@degussa-goldhandel.de)

**Berlin** (shop & showroom): Fasanenstraße 70 · 10719 Berlin

Phone: 030-8872838 – 0 · [berlin@degussa-goldhandel.de](mailto: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](mailto:duesseldorf@degussa-goldhandel.de)

**Frankfurt** (shop & showroom): Kettenhofweg 25 · 60325 Frankfurt

Phone: 069-860 068 – 100 · [frankfurt@degussa-goldhandel.de](mailto:frankfurt@degussa-goldhandel.de)

**Hamburg** (shop & showroom): Ballindamm 5 · 20095 Hamburg

Phone: 040-329 0872 – 0 · [hamburg@degussa-goldhandel.de](mailto:hamburg@degussa-goldhandel.de)

**Hanover** (shop & showroom): Theaterstraße 7 · 30159 Hanover

Phone: 0511-897338 – 0 · [hannover@degussa-goldhandel.de](mailto:hannover@degussa-goldhandel.de)

**Cologne** (shop & showroom): Gereonstraße 18-32 · 50670 Cologne

Phone: 0221-120 620 – 0 · [koeln@degussa-goldhandel.de](mailto:koeln@degussa-goldhandel.de)

**Munich** (shop & showroom): Promenadeplatz 12 · 80333 Munich

Phone: 089-13 92613 – 18 · [muenchen@degussa-goldhandel.de](mailto:muenchen@degussa-goldhandel.de)

**Munich** (Old Gold Centre): Promenadeplatz 10 · 80333 Munich

Phone: 089-1392613 – 10 · [muenchen-altgold@degussa-goldhandel.de](mailto:muenchen-altgold@degussa-goldhandel.de)

**Nuremberg** (shop & showroom): Prinzregentenufer 7 · 90489 Nuremberg

Phone: 0911-669 488 – 0 · [nuernberg@degussa-goldhandel.de](mailto:nuernberg@degussa-goldhandel.de)

**Pforzheim** (refinery): Freiburger Straße 12 · 75179 Pforzheim

Phone: 07231-58795 – 0 · [pforzheim@degussa-goldhandel.de](mailto:pforzheim@degussa-goldhandel.de)

**Stuttgart** (shop & showroom): Kronprinzstraße 6 · 70173 Stuttgart

Phone: 0711-305893 – 6 · [stuttgart@degussa-goldhandel.de](mailto: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](mailto:zuerich@degussa-goldhandel.ch)

**Geneva** (shop & showroom): Quai du Mont-Blanc 5 · 1201 Genève

Phone: 0041-22 908 14 00 · [geneve@degussa-goldhandel.ch](mailto:geneve@degussa-goldhandel.ch)

**Madrid** (shop & showroom): Calle de Velázquez 2 · 28001 Madrid

Phone: 0034-911 982 900 · [info@degussa-mp.es](mailto:info@degussa-mp.es)

**London** Sharps Pixley Ltd. (member of the Degussa Group)

Phone: 0044-207 871 0532 · [info@sharpspixley.com](mailto:info@sharpspixley.com)