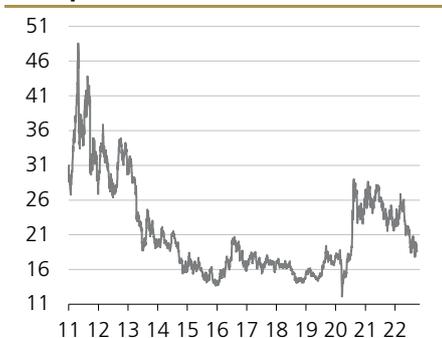


## USD per ounce of gold



## 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	1.658,8	-3,3	-9,7	-5,6
Silver	18,9	0,4	-12,4	-15,1
Platinum	863,6	-2,0	-10,5	-10,4
Palladium	2.146,9	-1,2	7,4	12,4
<b>II. In euro</b>				
Gold	1.704,3	-0,3	-0,4	12,4
Silver	19,4	3,3	-3,3	1,3
Platinum	887,3	1,4	-1,6	6,6
Palladium	2.206,0	1,9	18,3	33,9
<b>III. Gold price in other currencies</b>				
JPY	239.155,0	-2,2	1,2	22,4
CNY	11.942,0	0,5	-2,6	5,5
GBP	1.525,4	3,0	4,7	17,0
INR	135.012,7	1,9	-5,2	3,7
RUB	95.300,2	-8,2	-13,9	-25,2

Source: Refinitiv; calculations by Degussa.

## OUR TOP ISSUES

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

## CAPITAL MARKETS HAVE BECOME A DANGEROUS PLACE

Things have gotten turbulent again in recent weeks. Most notably, the US dollar has appreciated strongly against major currencies such as the euro, the Japanese yen, the British pound and the Chinese renminbi, not to mention many currencies from the emerging market economy space. At the same time, stock prices have been trading downwards, as do the prices for long-term bonds. And as if this wasn't already enough, recession fears are growing.

What is driving the US dollar higher? Clearly, the Fed's interest rate hike frenzy plays a very important role. The prospect of higher yields in the US compared to other currency areas is increasing demand for the US currency and driving up its price. Also, many investors seem to think that the US economy will weather the problem of high inflation much better than other regions of the world. On top of that, increasing geopolitical risks make investors demand the US dollar as a 'safe haven' of sorts.

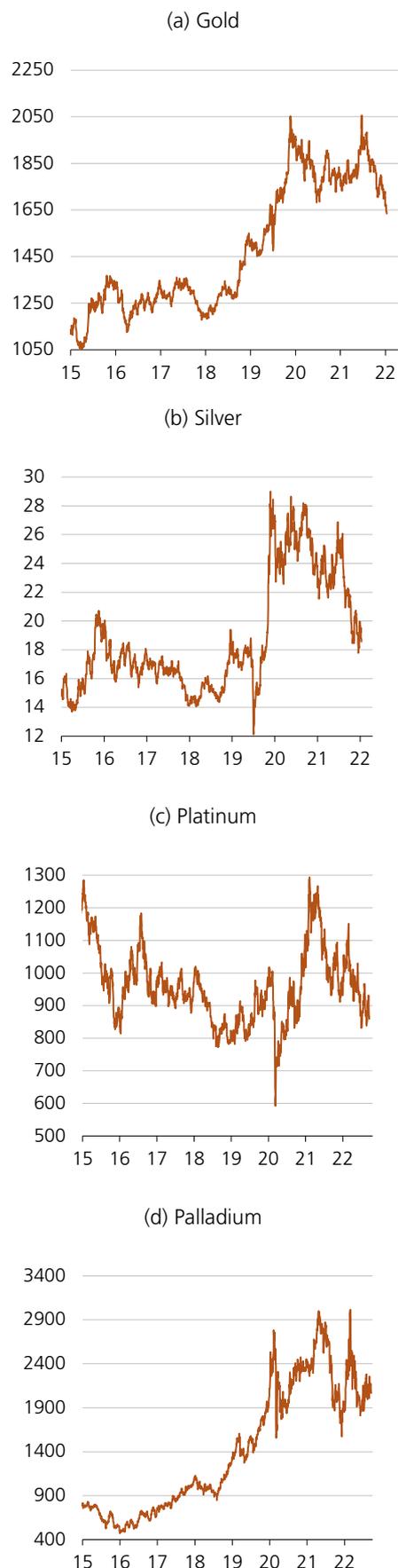
However, one should not overlook a fundamental problem that has plagued the western world for quite some time: the fallout of decades of fiat money expansion, which is increasingly coming to the surface. Most notably, global debt is at 30X billion US-dollar, amounting to around XXX per cent of global GDP. This enormous debt level (in absolute and relative terms) was accumulated by borrowers taking advantage of historically low interest rates (in fact, many countries had record low negative real interest rates).

Interest rate hikes will therefore put severe pressure on borrowers to service their debt, and they will also find it increasingly difficult to roll over their maturing debt. In fact, monetary policy tightening takes away the very punch bowl that has been at the heart of the credit boom of recent decades. Of course, with goods price inflation at unacceptably high levels, central banks are overdue to end their overly expansionary monetary policy. However, cutting inflation certainly comes at a price.

By raising interest rates, central banks will burst the bubble they inflated by issuing fiat money, most likely turning the fiat money-induced boom into a bust. And this bust could be very painful, especially given the giant global debt pyramid. There is the risk that an ensuing recession – with firms going out of business, mass unemployment, and credit defaults on a grand scale – could escalate into a depression that could topple the entire fiat money architecture.

So we are facing a kind of dilemma: reducing high inflation could crush the economic, financial, and monetary system; prolonged high inflation to support production and employment could spell disaster for currencies' purchasing power. How likely is it that central banks will succeed in doing both, bringing down high

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



Source: Refinitiv; graphs Degussa.

inflation without causing a recession-depression? Unfortunately, the odds are not in our favour. Because a fiat money-induced boom must turn into a bust, with or without active intervention by central banks.

What is more, 'green policies' are putting a heavy burden on national economies. Rising energy costs (and the wider impact on food production, for example) push up goods prices, thereby lowering people's real incomes. This will reduce demand for goods and services, thereby forcing many companies out of business and destroying jobs. In other words: The 'green policies' already have a rather contractionary effect on economic activity in many countries, and it will be amplified by central banks raising interest rates and curbing credit and money supply growth.

From this perspective, the world financial and economic system is in a precarious phase. What will central banks do when faced with a hard choice: either lowering inflation or saving the economic and financial system from a severe, perhaps even devastating, crash?

If history taught us any lesson, the answer is that it is inflation what investors have to fear the most. In times of stress, governments and their constituents have all too often considered inflation to be the policy of the least evil. At least initially. This is because the beneficial effects of inflationary policies (avoiding payment defaults) come first, while the negative effects (people realizing that they are getting poorer) only come later. In fact, there is a strong incentive for any society to flirt with inflation in troubled times.

However, inflation is a policy that cannot last. Inflation is a fraud; it cons people out of their money. It does so by surprising them: people suddenly realize that actual inflation is higher than expected inflation. As a result, they adjust their wage, rent, and credit contracts to ensure they will not be hit by any further 'surprise inflation'. As inflation expectations drift higher, the central bank will have to deliver even more 'surprise inflation'. Because if it doesn't, inflation expectations will turn out too high, thwarting people's business plans, and recession will be the likely result.

If central banks take recourse in ever higher inflation, then, in an extreme case, hyperinflation (with goods prices rising very sharply within short periods and even accelerating) will be the final outcome. It would be an economic and socio-political catastrophe. And it should also be clear that the longer a central bank-funded high inflation spree lasts, the more painful it will be to stop it.

Unfortunately, in many countries, central banks have already allowed high inflation to take hold – because they feared that raising interest rates would push their economies into recession. And while they have started raising interest rates, real interest rates have remained deep in negative territory. This could be taken as a sign that monetary policymakers may not be as tough on inflation as they should be, that they are unwilling to accept a deep recession as the price for bringing inflation to more acceptable levels in the foreseeable future.

Suppose this interpretation turns out to be correct. In that case, capital markets will become a rather dangerous place to invest your money. Increased inflation jeopardizes the success of many business models; the hardship caused by inflation for many people prompts governments to interfere in the functioning of markets, distorting relative prices, causing malinvestment; the severity of the eventually unfolding crisis as a result of a prolonged period of unchecked high inflation will become even more painful. It is fair to say that under these circumstances, it will be particularly challenging to maintain, let alone grow one's financial wealth.

Holding at least some physical gold and silver in one's liquid portfolio is advisable, especially in light of inflation and systemic risks associated with today's fiat money regime. These 'money-like' precious metals are very liquid, and their purchasing power cannot be debased by central banks running the electronic printing press. In addition, they do not carry a default risk like bank deposits and money market funds. These two characteristics make physical gold and silver an attractive investment in one's portfolio. For long-term-oriented investors, gold and silver have a very good chance of proving themselves risk-reducing and return-enhancing in what lies ahead.

\* \* \*

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## PRECIOUS METALS PRICES

In US-Dollar per ounce

	Gold		Silver		Platinum		Palladium	
<b>I. Actual</b>	<b>1658,9</b>		<b>18,9</b>		<b>863,1</b>		<b>2146,6</b>	
II. Gliding averages								
10 days	1664,9		19,2		897,3		2122,9	
20 days	1688,3		18,9		880,2		2103,7	
50 days	1728,9		19,3		894,1		2099,3	
100 days	1771,4		20,1		912,5		2027,4	
200 days	1827,6		22,0		959,1		2156,2	
<b>III. Estimates for autumn 2023</b>	<b>2200</b>		<b>28</b>		<b>1070</b>		<b>2261</b>	
<sup>(1)</sup>	33		48		24		5	
<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
	9	45	11	64	-4	48	-23	12
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

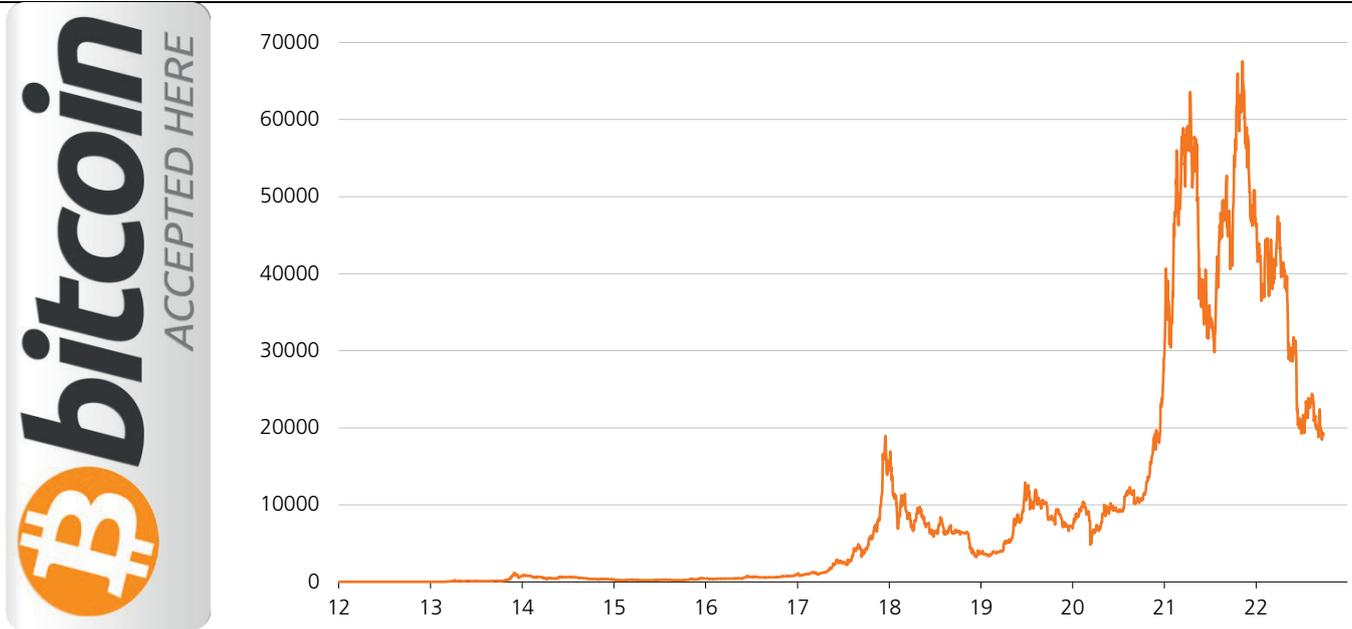
	Gold		Silver		Platinum		Palladium	
<b>I. Actual</b>	<b>1705,4</b>		<b>19,4</b>		<b>887,4</b>		<b>2206,8</b>	
II. Gliding averages								
10 days	1687,0		19,5		909,1		2151,2	
20 days	1699,9		19,0		886,3		2118,3	
50 days	1718,2		19,2		888,6		2086,7	
100 days	1724,8		19,6		888,4		1977,1	
200 days	1712,4		20,6		897,5		2020,0	
<b>III. Estimates for autumn 2023</b>	<b>2281</b>		<b>29</b>		<b>1110</b>		<b>2345</b>	
<sup>(1)</sup>	34		50		25		6	
<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
	9	46	12	66	-3	49	-23	12
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

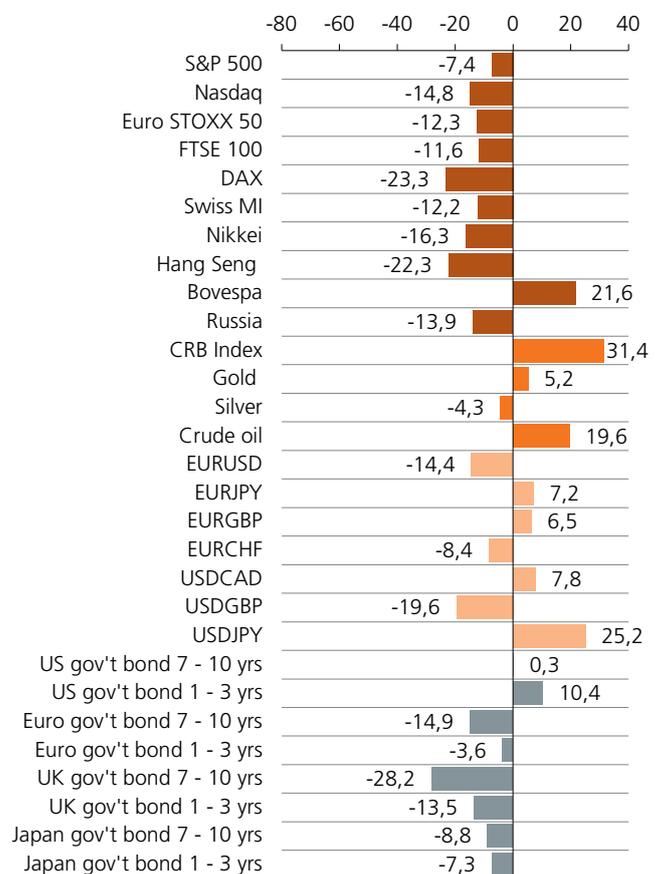
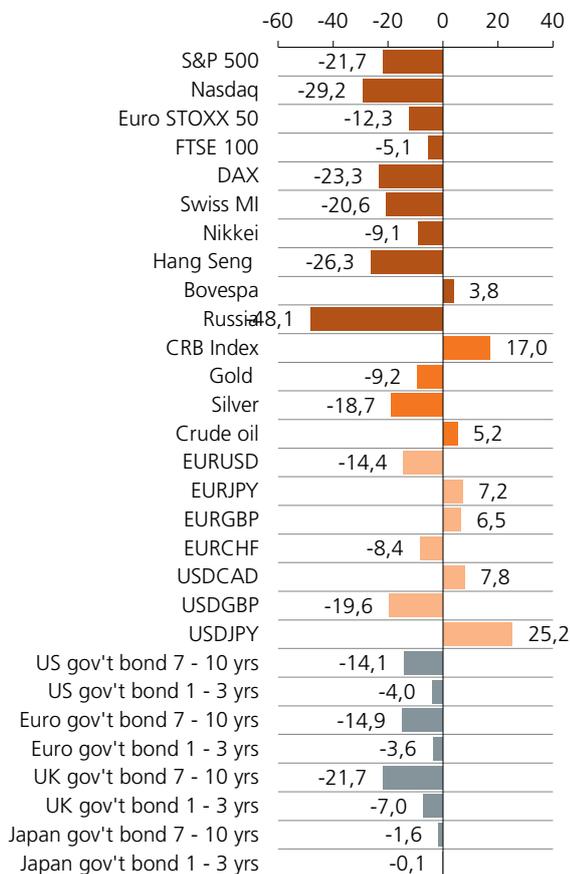


Source: Refinitiv; graph by Degussa.

## 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
29 September 2022	Capital Markets Have Become A Dangerous Place
15 September 2022	Inflation, High Inflation, Hyperinflation
1 September 2022	Everything you always wanted to know about ... MONEY (but were afraid to ask)
18 August 2022	Sky-High Inflation Is Just One Reason To Hold Physical Gold
4 August 2022	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
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25 March 2021	Money Matters For Gold And Silver Prices

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