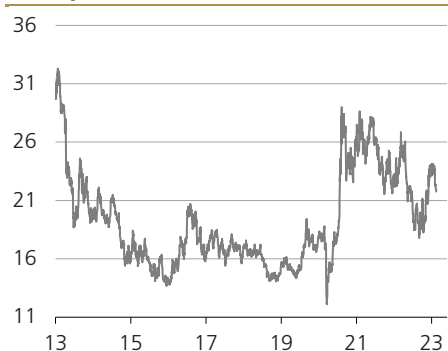


USD per ounce of gold



USD per ounce of silver



EURUSD



Source: Refinitiv; graphs by Degussa.

Edelmetallpreise				
	Aktuell (Spot)	Veränderungen gegenüber (in Prozent):		
		2 W	3 M	12 M
I. In US-Dollar				
Gold	1834,8	-4,8	12,3	-3,8
Silber	21,5	-8,8	12,3	-12,0
Platin	925,8	-8,5	0,0	-11,3
Palladium	1467,2	-9,4	-20,3	-41,0
II. In Euro				
Gold	1712,2	-3,4	3,7	0,7
Silber	20,1	-7,5	3,6	-7,9
Platin	864,0	-7,2	-7,8	-7,1
Palladium	1369,0	-8,1	-26,6	-38,3
III. Goldpreis in anderen Währungen				
JPY	244874,0	-2,2	0,8	11,6
CNY	12545,5	-4,0	5,2	4,2
GBP	1521,0	-2,1	6,9	7,0
INR	151955,3	1,9	12,4	5,5
RUB	136509,9	1,8	36,9	-29,2

Quelle: Refinitiv; Berechnungen Degussa.

OUR TOP ISSUES

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

STAYING POWER PAYS OFF FOR GOLD HOLDERS

“Perseverance is rewarded sooner or later – but mostly later.”
—Wilhelm Busch

„MARKET TIMING“

Who doesn't want that: sell when prices are at their highest and buy when prices are at their lowest? If investors succeed in such “market timing”, they can achieve substantial returns. But unfortunately, experience shows that only very few master market timing. Most investors fail to systematically sell high and buy low. This is not just an interesting finding but also an important one, as poor market timing can result in significant capital losses. To explain this further, here is a simple example.

1 Example of “unsuccessful market timing”

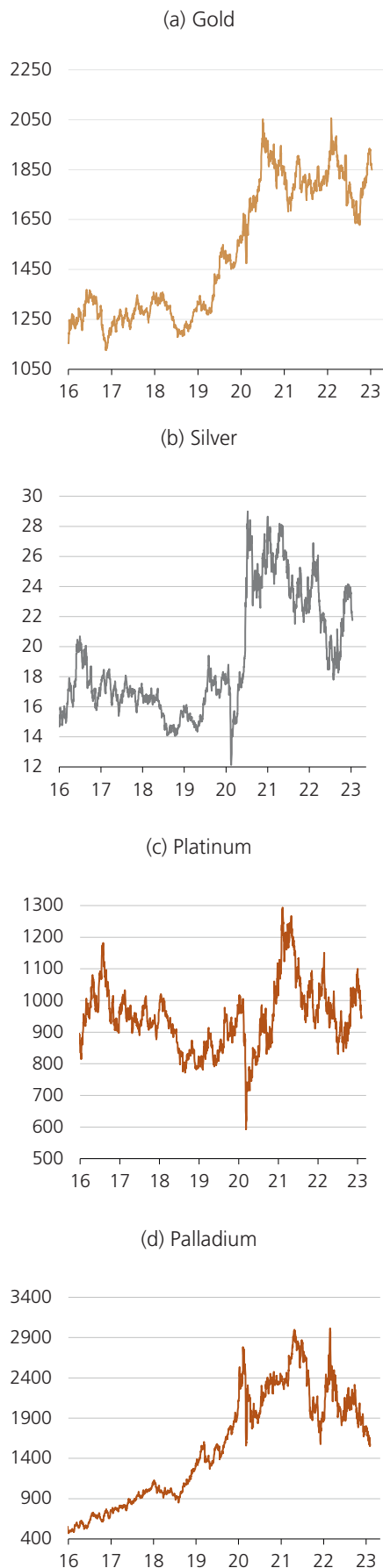
	Price	Number of shares	Investment amount	Book profit / loss	Realised profit / loss
Buy	100	100	10000
Hold	80	100	8000	-2000	...
Hold	50	100	5000	-5000	...
Hold	30	100	3000	-7000	...
Sell	30	100	3000	-7000	-7000
Wait	40	0	0
Buy	55	54	2970
Wait	120	54	6480	-3520	...

Return in %

Buy-and-hold	20
Market Timing'	-35

Let's say you invest 10,000 euros in stocks. You buy 100 shares at 100 euros per share. After the purchase, you see the price drop (unexpectedly) to 80 euros. Your book loss is 2,000 euros, but you are holding on to your position. The share continues to fall to 50 euros. You still do not sell. The shares continue to fall to 30 euros. Now you are quite desperate and sell since you want to prevent further (book) losses. Your realized loss is 7,000 euros. Then the stock goes up again. But you don't trust the market, so you don't buy it. The share price continues to rise, and you finally purchase the stock at 55 euros. At this price, however, you can only buy 54 more shares – after all, you have lost 7,000 euros of your initial capital. Then, the stock price rises to, say, 120 euros. Your stock portfolio is now worth 6,480 euros – a negative return of 35 per cent for you. If you had opted for buy-and-hold, you would have a nice return of 20 per cent.

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

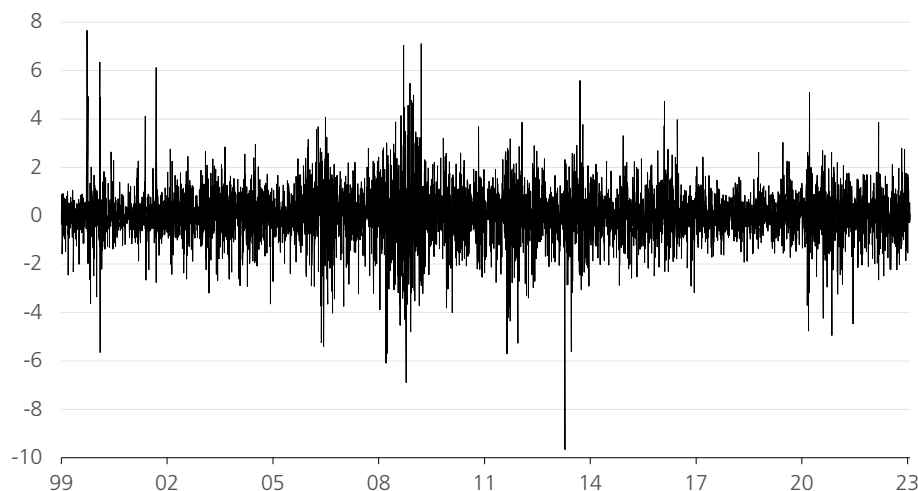


Source: Refinitiv; graphs Degussa.

One more thing to remember when it comes to market timing: Often, only relatively few trading days are of outstanding importance for the overall investment success. Allow me to illustrate this, for example, for the gold market. Fig. 2 shows the daily price changes in the price of gold (in USD/oz) in per cent for the period January 1, 1999, to January 27, 2023. On average, prices increased by 0.035 per cent per day. You can also see that gold prices have fluctuated significantly daily – with strong up- and downswings.

2 Some trading days are more important than others ...

Daily changes in the price of Gold (USD/oz) in per cent

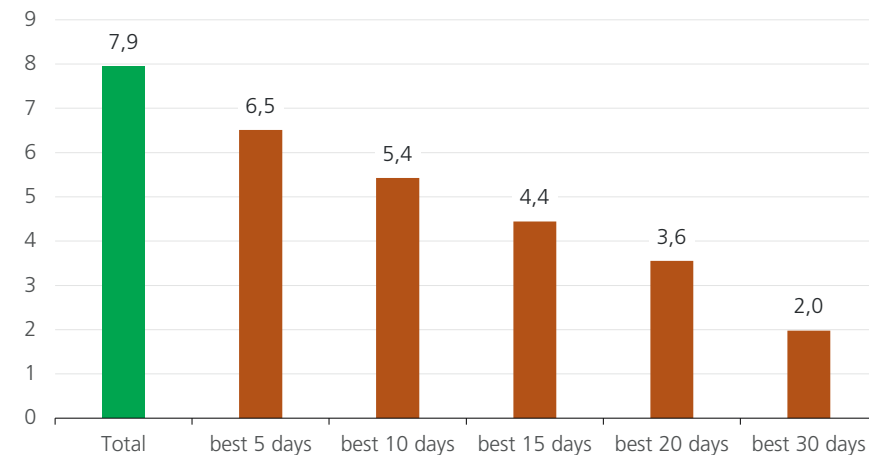


Source: Refinitiv; graph Degussa. ⁽¹⁾ Period: January 1, 1999, to January 27, 2023. 6280 data points, daily data.

This, in turn, suggests that the return on a gold investment over the period under review may have been significantly impacted by price movements occurring in a relatively small number of days. To put this into numbers, we looked at the impact had the investor missed the peak return days. The result is shown in Fig. 3. Had the investor bought an ounce of gold (in USD) in early 1999 and held it until January 27, 2023, the average annual return would have been 7.9 per cent. On the other hand, had he/she used a market timing strategy instead of a “buy-and-hold” strategy and missed the five “best” days (i.e. the days when the gold price has risen the most), the annual average return was only 6.5 per cent.

3 Investment return on gold depending on the number of “missed best trading days”

Average annual returns for gold (in USD/oz) in per cent ⁽¹⁾



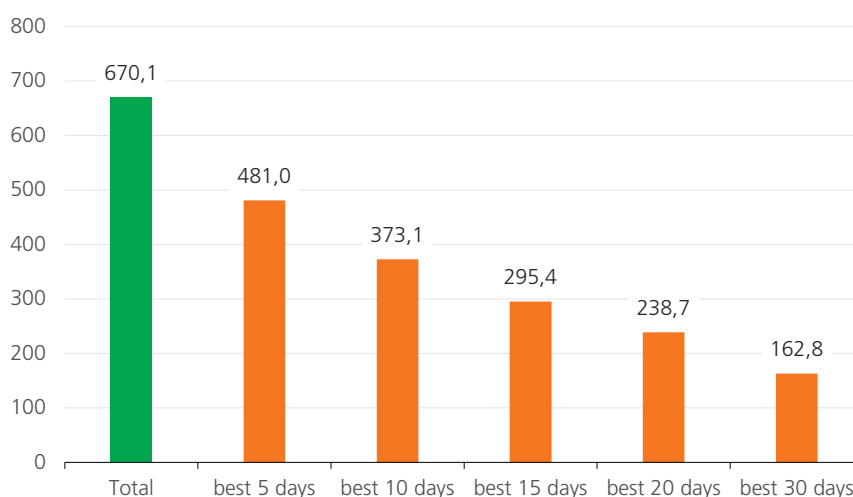
Source: Refinitiv; graph Degussa. ⁽¹⁾ Period: January 1, 1999, to January 27, 2023. 6280 data points, daily data.

Had the gold investors missed the top 10 (highest-yielding) days, their annualized return would have fallen to 5.4 per cent, and had they missed the top 30 days, their return would have been a mere 2.0 per cent.

But which days turned out to be particularly profitable? Since you couldn't answer this question in advance, the honest answer is: you don't know ex-ante! At first glance, the yield losses caused by unfortunate market timing might appear "small" and manageable. But that would be a short-sighted view. Even a few percentage points are extremely significant for the investment performance over several years. This becomes clear when we calculate the investment success in USD amounts corresponding to the various returns. For example, had the investor invested \$100 in gold in early 1999 and held his gold until the end of January 2023, it would be worth \$670 (Figure 4).

4 Investment gains on gold – depending on the number of „missed best trading days“

The outcome of 100 USD invested⁽¹⁾



Source: Refinitiv; graph Degussa. ⁽¹⁾Period: January 1, 1999, to January 27, 2023. 6280 data points, daily data.

Had the investor missed the best 5 days, \$100 would have turned into only \$481; \$100 would have only turned into \$373 without the best 10 days, and just under 163 USD without the best 30 days. Apparently, market timing (as in this example) can reduce the investor's return substantially if it is not applied successfully. This is not to say that the investor should not engage in market timing. The investor should only be aware of the special (and often overlooked) risks of loss and consequently only engage in market timing if they are reasonably sure they have mastered it.

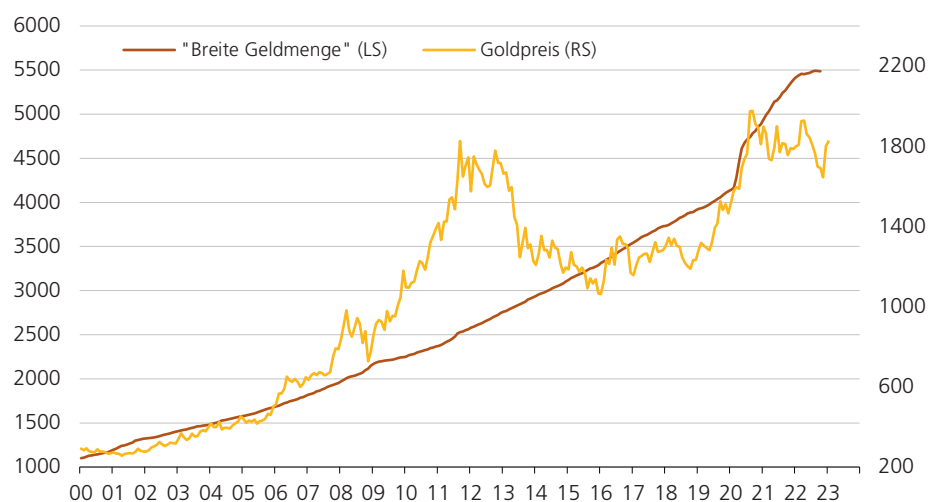
„BUY-AND-HOLD“

The alternative to market timing is "buy and hold". However, the success of a buy-and-hold strategy is not a foregone conclusion but depends on a few conditions that must be met. For example, the investor must not buy "too expensive": The shares of the best company, or an ounce of gold, for that matter, are not an attractive investment if they were bought at too high a price. In addition, the investment must generate a cash flow and/or offer the prospect of an upward trend in price over time. For example, this condition is met for many stocks (but not all). What about precious metals, especially gold?

Gold does not actually generate any cash flow. But – and experience of the past few decades shows this – the price of gold has continued to rise over time, albeit with fluctuations. This finding can be explained, in particular, by the consequences of the worldwide fiat money system. The relentless increase in the money supply it relies on has been shown to drive up the prices of all commodities, including the price of gold, over time. In addition, gold continues to be traded as a “close-to-money” good. It serves many investors as a form of saving, a “safe haven”, and a kind of insurance against economic and political risks.

5 Rising Money Stock, Increasing Gold Price

„Broadly defined“ money stock in the OECD and the price of gold (in USD/oz) ⁽¹⁾



Source: Refinitiv; graph Degussa. ⁽¹⁾ Money stock indexed (January 1980 = 100).

Against this background, it is anything but surprising that the price of gold has risen in the course of the relentless, chronic increase in the money supply – as Fig. 5 illustrates. Both the money supply in the OECD and the price of gold (USD/oz) have increased over time; they were on the same wavelength, so to speak. However, the synchronization of the two time series was anything but perfect. And while the money supply increased by 396 per cent from early 2000 to October 2022, the price of gold increased by 481 per cent (or 567 per cent by January 2023). So the price of gold has more than compensated the gold holder for the continued monetary expansion.

Looking at recent data points in Fig. 5, gold price growth has lagged behind money supply growth since early 2021. Against what has been said so far, in our opinion, the gold price still has considerable potential for appreciation. The increasing problems in the international credit and monetary architecture and the expected upward pressure on the price of gold are not even considered in this assessment. ‘Buy-and-hold gold’ strikes us as a viable strategy for the years to come that should prove to be risk-reducing and reward-enhancing for the investment portfolio. The conclusion is buy gold and hold it sufficiently long!

PRECIOUS METALS PRICES

In US-Dollar per ounce

	Gold		Silver		Platinum		Palladium	
I. Actual	1834,5		21,5		924,9		1465,8	
II. Gliding averages								
10 days	1877,8		22,4		981,4		1619,4	
20 days	1901,8		23,1		1005,7		1655,9	
50 days	1857,9		23,4		1021,0		1731,5	
100 days	1780,3		21,9		986,6		1863,6	
200 days	1775,9		21,0		949,5		1945,5	
III. Estimates for end 2023	2200		29		1250		1450	
⁽¹⁾	20		35		35		-1	
<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⁾	1900	2360	23,3	32,9	1060	1380	1300	1670
	4	29	8	53	15	49	-11	14
V. Annual averages								
2020	1753		20,2		878		2180	
2021	1804		25,5		1095		2422	
2022	1798		21,7		956		2154	

In Euro per ounce

	Gold		Silver		Platinum		Palladium	
I. Actual	1712,7		20,1		863,5		1368,5	
II. Gliding averages								
10 days	1742,8		20,8		910,7		1502,8	
20 days	1758,7		21,3		929,9		1531,1	
50 days	1734,0		21,9		953,1		1617,0	
100 days	1714,3		21,0		950,1		1803,2	
200 days	1719,6		20,3		919,2		1890,1	
III. Estimates for autumn 2023	2100		28		1200		1392	
⁽¹⁾	23		39		39		2	
<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⁾	1820	2300	22,4	31,6	1010	1320	1240	1600
	6	34	12	57	17	53	-9	17
V. Annual averages								
2020	1535		18		769		1911	
2021	1519		21		921		2035	
2022	1704		21		905		2041	

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

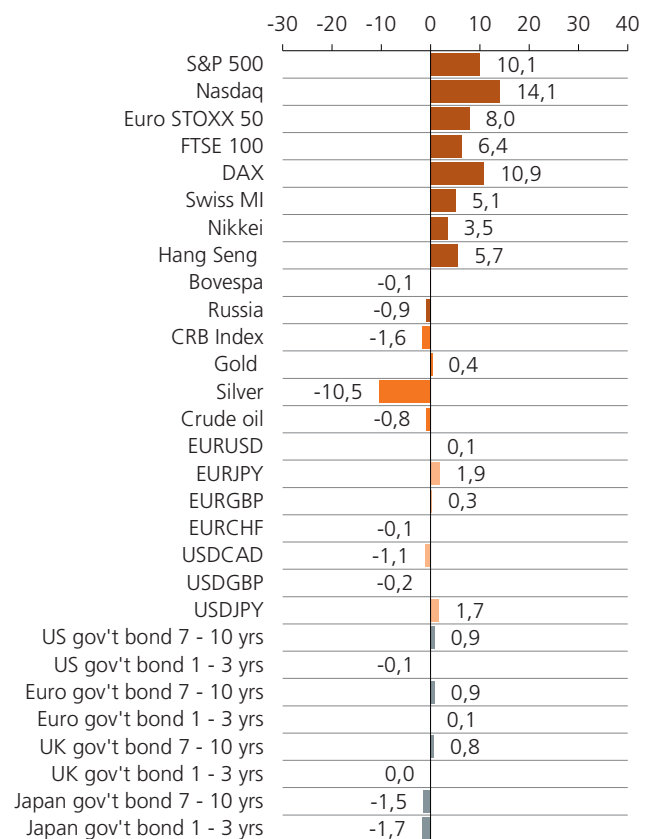
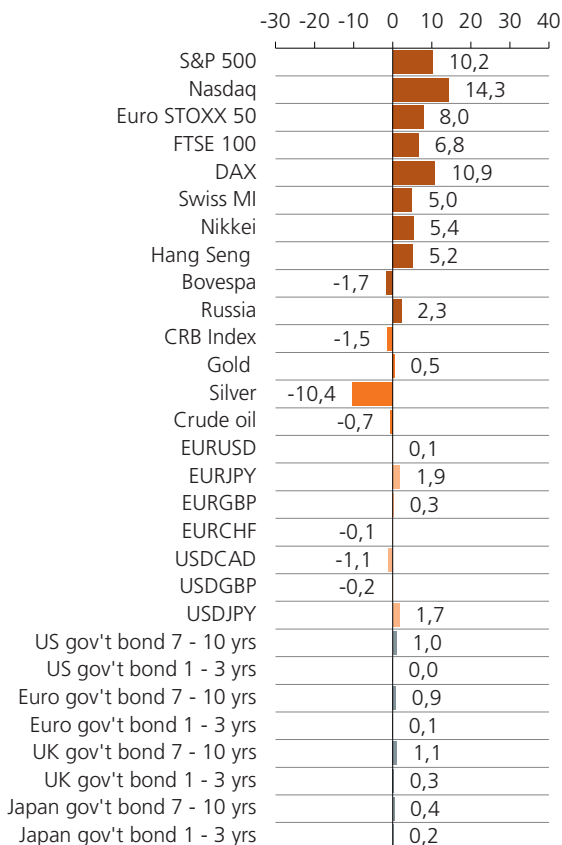


Source: Refinitiv; graph by Degussa.

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
16 February 2023	Staying Power Pays Off For Gold Holders
2 February 2023	You Think the Global Economy Is Brightening? Beware: The Big Hit Is Yet To Come ...
19 January 2023	Outlook 2023: Keepy Buying Physical Gold And Silver
22 December 2022	Central banks' propensity for inflation is a very good reason to hold at least some gold
8 December 2022	Some Thoughts About Central Banks' Renewed Interest In Gold
24 November 2022	Some Thoughts About Central Banks' Renewed Interest In Gold
10 November 2022	Investing In An Inflationary Regime: Keep At Least Some Gold
27 October 2022	Fasten Your Seatbelt: The Fed Replaces Monetary Inflation With Monetary Deflation
13 October 2022	Proposal in the US Congress: Reintroduction of Gold Backing For the US Dollar
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
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12 August 2021	The Crime of 1971
29 July 2021	Gold And The Market Fear That Is Not

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