

2 March 2023

Economics · Finance · Precious Metals

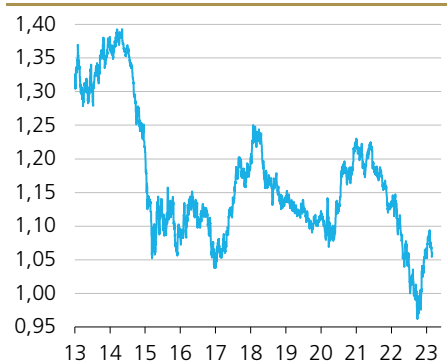
## USD per ounce of gold



## 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	1.837,9	-1,4	3,9	-5,1
Silver	21,0	-4,5	-5,4	-15,2
Platinum	956,1	1,2	-7,4	-2,8
Palladium	1.434,8	-7,0	-23,7	-36,6
II. In euro				
Gold	1.723,5	-1,3	1,5	-1,5
Silver	19,7	-4,4	-7,6	-12,0
Platinum	896,5	1,4	-9,7	1,0
Palladium	1.346,0	-6,8	-25,5	-34,1
III. Gold price in other currencies				
JPY	250.210,0	2,1	2,5	6,2
CNY	12.618,4	-0,6	0,7	2,8
GBP	1.529,8	-1,1	4,4	3,8
INR	151.498,9	1,9	5,3	3,1
RUB	138.302,7	1,5	29,3	-9,9

Source: Refinitiv; calculations by Degussa.

## OUR TOP ISSUES

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

## REMARKS AT THE LBMA PANEL: “BEHIND THE ANALYSIS”, 27 FEBRUARY 2023

*“Remember not only to say the right thing in the right place, but far more difficult still, to leave unsaid the wrong thing at the tempting moment.”*  
—Benjamin Franklin

### IN BRIEF

Let me start by saying thank you very much for inviting me! It's a great pleasure for me to be on today's panel hosted by the LBMA.

Let's dive right in!

There are a number of factors that I believe will be quite supportive of the price of gold this year and in the years to come, irrespective of some recent headwinds.

Gold demand in China and India (which together accounts for nearly 50% of global gold demand) is likely to rebound in 2023 after showing considerable weakness over the past two years, which should have a positive effect for the gold price.

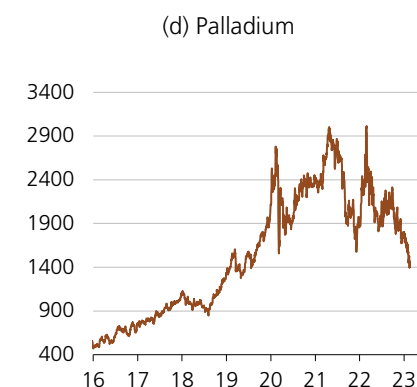
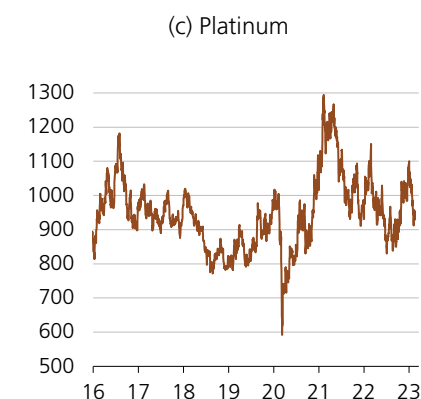
In 2022, central banks bought 1136 tonnes of gold. I expect non-western central banks, in particular, to remain heavy buyers of gold going forward as they look to further diversify their FX reserves and reduce their exposure to the US dollar and other Western currencies.

The key word in this context is “de-dollarisation”. While I do not believe the greenback will lose its global reserve status overnight, I do anticipate that more and more private and institutional investors will tend to swap some of their US dollar holdings for other assets, including the yellow metal. This should also help push the market valuation of gold higher.

As far as the supply side is concerned, I expect subdued new mining output. High inflation increases miners' production costs considerably (think of energy, materials, and wages), which, unfortunately for many mining firms, are not fully offset by higher gold prices.

This aspect is particularly important given the continued decline in the grade of gold in many mines. That said, I expect global gold mining output growth this year and next to remain below its long-term trend (which I estimate around 1.7% p.a.), which should also be positive for the gold price.

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



The central banks' interest rate hiking frenzy is certainly negative for gold: Higher interest rates increase the opportunity costs of holding gold, lowering demand and hence the price. I don't want to talk too much about macroeconomics at this juncture.

But I want you to know that I believe central banks will overdo it, raising interest rates too much and damaging the economic cycle and financial markets to such an extent that their monetary policy tightening will need to end and be reversed later this year. This should also prove a boost to the price of gold.

Combining this and my assumption that the current price of gold is already very cheap, I forecast an average gold price of 2000 US dollars per ounce this year with an upside potential of up to 2.200 US dollars per ounce.

Let me end with some remarks on the silver price.

The expectation of a substantially higher gold price going forward is a good reason to expect the silver price to edge higher by quite a margin. My average price forecast for silver is 26 US-dollar per ounce for 2023, with an upside potential of up to 29 US dollar per ounce.

As far as silver demand is concerned, the move towards renewable energy and non-carbon emitting energy (I just mention here solar photovoltaic and electric vehicles) has a good chance to translate into a higher demand for physical silver. An upward moving silver price is also likely to attract new investments via Exchange Traded Products, adding to overall silver demand.

The supply of newly mined silver, which has been basically stagnating since 2012, is likely to remain subdued. Higher production costs due to elevated inflation and thus downward pressure on miners' profitability make a decline in CAPEX likely in 2023 and beyond – which can be expected to keep the silver market relatively tight, supporting into higher prices.

I stop talking now, as I may have overextended my speaking time already. Thank you very much for your attention, I am looking forward to the views of the other panellists and all the questions our audience may have.

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## PRECIOUS METALS PRICES

In US-Dollar per ounce

	Gold		Silver		Platinum		Palladium	
I. Actual	1837,7		21,6		915,9		1454,9	
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		34		36		0	
Band width	Low	High	Low	High	Low	High	Low	High
	1900	2360	23,3	32,9	1060	1380	1300	1670
(1)	3	28	8	52	16	51	-11	15
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	1717,0		20,2		855,8		1359,4	
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)	22		38		40		2	
Band width	Low	High	Low	High	Low	High	Low	High
	1820	2300	22,4	31,6	1010	1320	1240	1600
(1)	6	34	11	56	18	54	-9	18
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

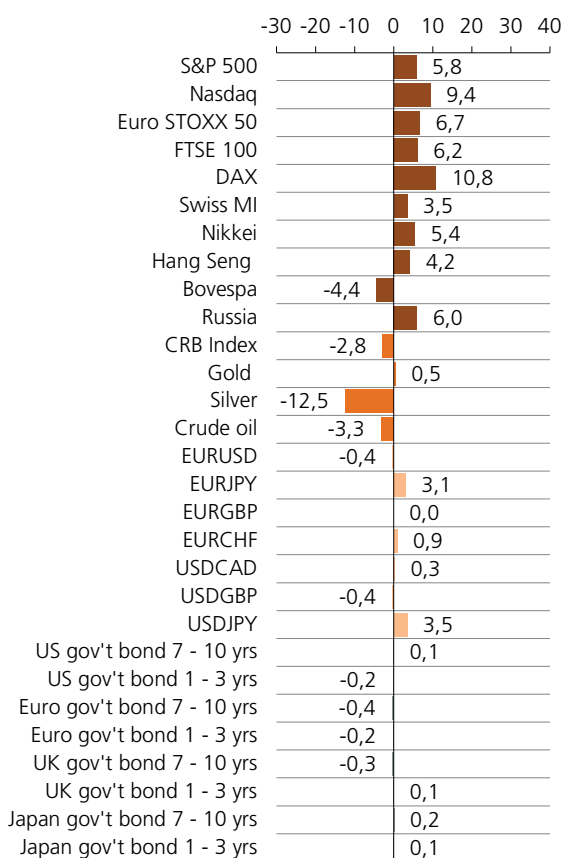
### Bitcoin in US dollars



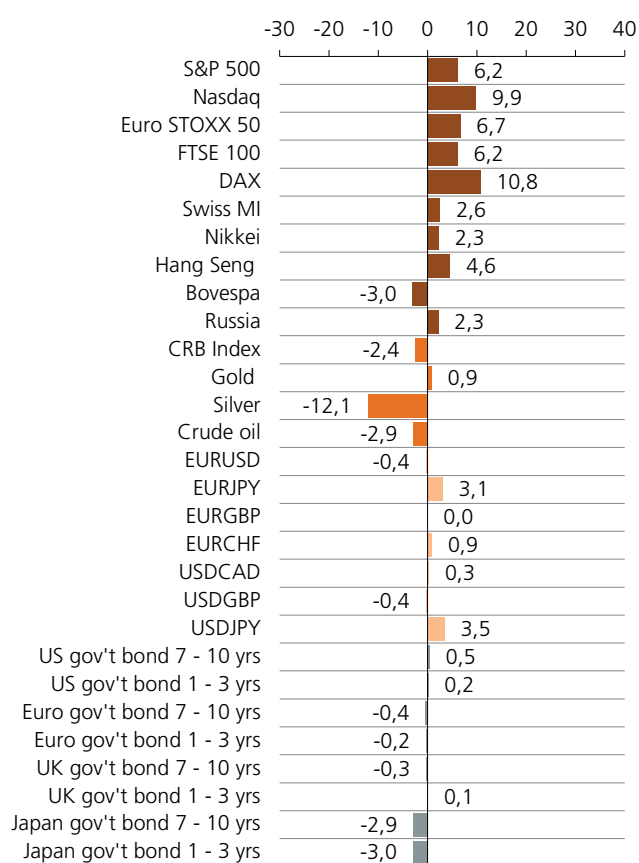
Source: Refinitiv; graph by Degussa.

### 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***

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