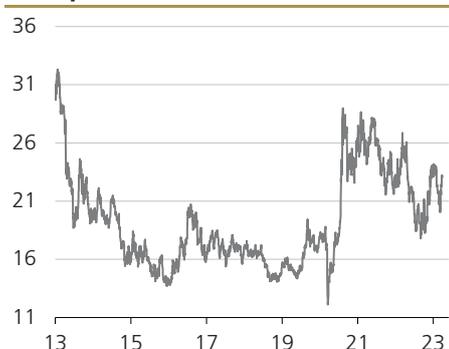


USD per ounce of gold



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	1.966,2	5,3	11,2	1,5
Silver	23,4	14,0	5,3	-5,6
Platinum	970,5	1,2	-6,0	-1,3
Palladium	1.446,4	4,9	-23,1	-36,0
II. In euro				
Gold	1.812,8	3,3	6,7	3,6
Silver	21,6	11,9	1,2	-3,7
Platinum	894,8	-0,7	-9,9	0,9
Palladium	1.334,0	3,0	-26,1	-34,7
III. Gold price in other currencies				
JPY	260.875,0	3,5	6,9	10,7
CNY	13.539,7	5,0	8,1	10,3
GBP	1.596,2	2,8	8,9	8,3
INR	161.578,4	1,9	12,3	10,0
RUB	151.929,3	6,7	42,0	-1,0

Source: Refinitiv; calculations by Degussa.

OUR TOP ISSUES

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

NOT OVER YET. HOLD GOLD AND SILVER

The collapse of US California-based Silicon Valley Bank (and Signature Bank in New York) on 10 March 2023 sent shock waves through the international financial system. It not only sent bank stocks and bank bonds plummeting but also finally brought ailing banking giant Credit Suisse to its knees. The Swiss bank had to be rescued and was bought by UBS on 19 March 2023. In another wave of market fear, Deutsche Bank, another G-SIB (global systemically important bank), came under pressure: its share price fell sharply, and credit default swap spreads on its liabilities skyrocketed.

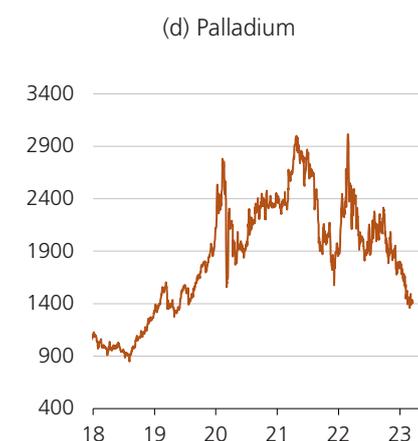
In the meantime, however, market stress seems to have subsided. It is fair to say that the Federal Reserve (Fed) and the US Treasury have pulled it off. The Fed opened its funding spigots for banks, providing them with the necessary funds. This washed away the unfolding liquidity crisis. And the US Treasury guaranteed banks' (hitherto) uninsured deposits, calming peoples' fears and giving them less incentive to withdraw their funds from the banks, especially from small and medium-sized banks and put them into bigger banks.

However, it would be premature to say that the banking crisis is over. In fact, sound economics suggests that things could all too easily take a rather bad turn. The reason lies in the unbacked paper or fiat money system. In a fiat money system, banks create new money balances through credit expansion, accompanied by an artificial suppression of market interest rates. This, in turn, results in an initial boom, which, however, sooner or later ends in a bust. Because distorted market interest rates lead to overconsumption and malinvestment.

In a fiat money regime, banks operate with fractional reserves: They hold merely a fraction of their immediate payment obligations to their customers in cash (banknotes and central bank money balances). In normal times, this does not seem to be a problem. In times of market stress, however, things can get ugly: the "latent illiquidity" of banks could result in a bank run. Of course, the central bank can provide any cash needed to distressed banks at virtually any time, a liquidity shortage can thus be solved. But an even bigger problem may rise.

A liquidity crisis in the banking system may spill over into a credit crisis – meaning investors fear that borrowers could become unable to service their debt. Why? Banks facing a liquidity problem will become more cautious when it comes to credit risk. Their credit supply will become less abundant and more expensive. This results in payment defaults and business failures. It is precisely through such

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



a process – you might call it a “credit crunch” – that boom turns into a bust. Banks suffer losses, restrict their credit supply even more, and the economy is headed for recession or even depression.

After many years of ultra-low borrowing costs, the central banks’ rate hiking spree is most likely to result in a significant slowdown of growth, if not an outright recession. Money supply growth in the US is negative both in nominal and real terms, a direct result of the Fed’s higher interest rates and shrinking of its balance sheet – suggesting a drop in economic activity. Likewise, bank credit growth has slowed considerably and is also negative in real (inflation-adjusted) terms. Monetary developments are quite similar in the euro area.

That said, chances of a substantial slowdown of economic growth, even a fall in production and a rise in unemployment, are high in what lies ahead. Such a scenario is all the more likely given the rather high level of debt in the national economies, which has so far been financed by very low interest rates and now has to be refinanced at significantly higher credit costs. As soon as the first borrowers default on their debts, concern about more defaults will spread like wildfire, and the risk of a collapse of the debt mountain rises.

What will central banks do in such a scenario? They would most likely prioritize keeping the banking system and government entities afloat and doing whatever it takes to ward off defaults. The objective of lowering consumer goods price inflation comes second. Inflation would be considered a lesser evil worth taking to prevent a supposedly even greater evil. And so, in the end, what started as a liquidity crisis turns into a credit crisis and eventually a currency crisis – meaning people are losing faith in the purchasing power of money.

Against this backdrop, we believe that holding physical gold and silver as part of the liquid portfolio makes sense. Gold and silver cannot be debased by central banks expanding the money supply (i.e. their inflationary policies), and the precious metals do not carry counterparty risk as bank deposits do. Most importantly, from our analytical perspective, gold and silver prices are trading on the cheap side. Perhaps this is because many investors expect the banking crisis to be over. We would warn against such a conclusion and say: It’s not over yet; better hold at least some physical gold and silver.

PRECIOUS METALS PRICES

In US-Dollar per ounce

	Gold		Silver		Platinum		Palladium	
I. Actual	1966,9		23,4		971,0		1449,1	
II. Gliding averages								
10 days	1958,8		22,6		976,8		1417,0	
20 days	1904,9		21,7		970,2		1419,1	
50 days	1888,5		22,2		977,6		1523,7	
100 days	1844,7		22,5		999,1		1680,7	
200 days	1781,5		21,0		949,0		1866,2	
III. Estimates for end 2023	2200		29		1250		1450	
⁽¹⁾	12		24		29		0	
<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
	-3	20	0	41	9	42	-10	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	1814,5		21,6		895,8		1336,8	
II. Gliding averages								
10 days	1824,7		21,0		909,9		1320,1	
20 days	1782,0		20,3		907,7		1327,8	
50 days	1760,2		20,7		911,2		1419,7	
100 days	1735,2		21,2		940,2		1583,3	
200 days	1722,9		20,3		917,7		1813,8	
III. Estimates for autumn 2023	2100		28		1200		1392	
⁽¹⁾	16		29		34		4	
<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
	0	27	4	47	13	47	-7	20
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

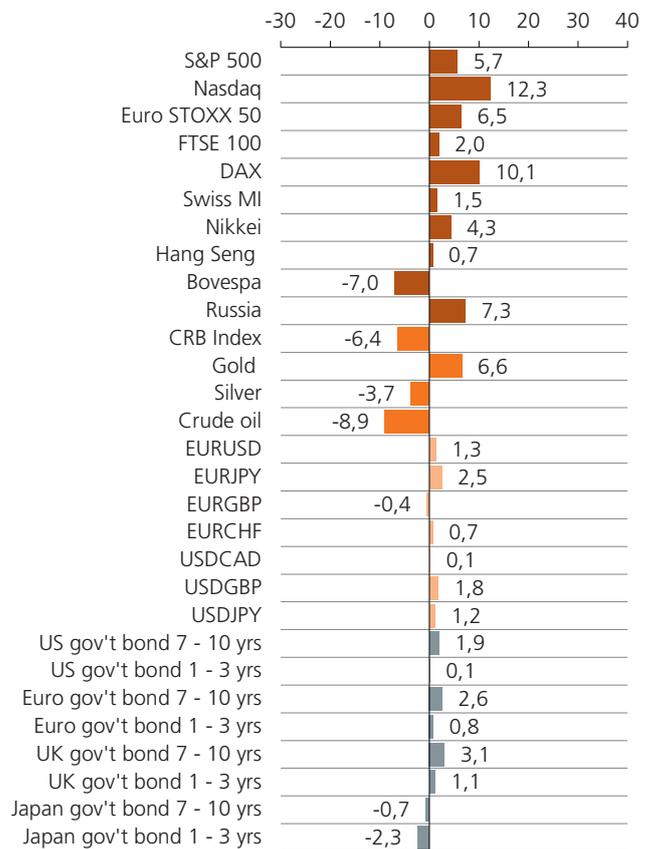
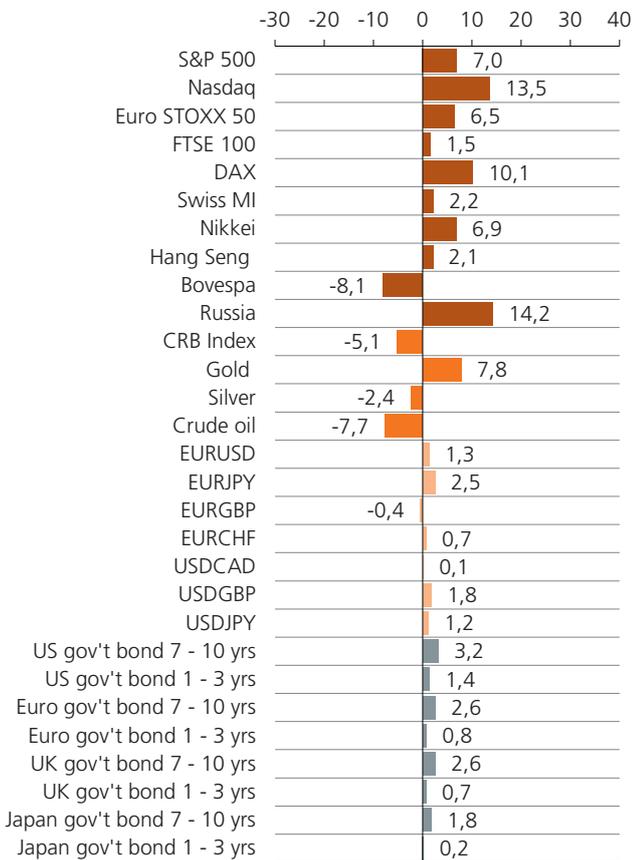


Source: Refinitiv; graph by Degussa.

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
30 March 2023	Not Over Yet. Hold Gold And Silver
16 March 2023	Why Not Higher?
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
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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8 September 2021	It All Depends On The Fed's 'Safety Net'
26 August 2021	Our Money Gets Thrown Under The Bus

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www.degussa-goldhandel.de/de/marktreport.aspx.

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