

## USD per ounce of gold



## USD per ounce of silver



## EURUSD



Source: Thomson Financial; 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	1.429.8	1.0	11.1	16.9
Silver	16.4	8.1	8.9	6.0
Platinum	872.8	5.5	3.0	4.6
Palladium	1.526.8	-1.2	7.5	64.3
<b>II. In euro</b>				
Gold	1.282.0	2.1	11.7	22.5
Silver	14.7	9.3	9.5	11.1
Platinum	782.6	6.9	3.9	9.2
Palladium	1.369.0	-0.1	8.0	71.3
<b>III. Gold price in other currencies</b>				
JPY	155.234.0	1.7	8.3	13.4
CNY	9.840.7	1.1	13.9	18.2
GBP	1.173.2	4.3	19.4	25.9
INR	98.380.9	1.9	10.4	17.5
RUB	90.777.6	1.8	8.1	18.7

Source: Thomson Financial; calculations by Degussa.

## OUR TOP ISSUE

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

## Gold and Silver Prices – Get Going!

Year on year, the price of gold is up by 16.7 per cent, the price of silver by 6.9 per cent; and since the beginning of this year, the price of the yellow metal has gained 11.5 per cent, the price of its ‘little brother’ 7.0 per cent. What to make of these numbers? Do they already herald the return of a bull market for precious metals, a development that gold and silver fans have long been waiting for? Well, the odds seem to be clearly in their favour.

The US Federal Reserve (Fed) has returned to its easing policy by cutting the Federal Funds Rate by 0.25 percentage points on 31 July, thereby bringing the band of its key interest rate down to 2.00–2.25 per cent. It is reasonable to expect that the Fed is going to lower its interest rates further in the coming months – by at least one percentage point, as we think. This will bring the short-term interest rate back to zero, or even below zero, in *real* terms.

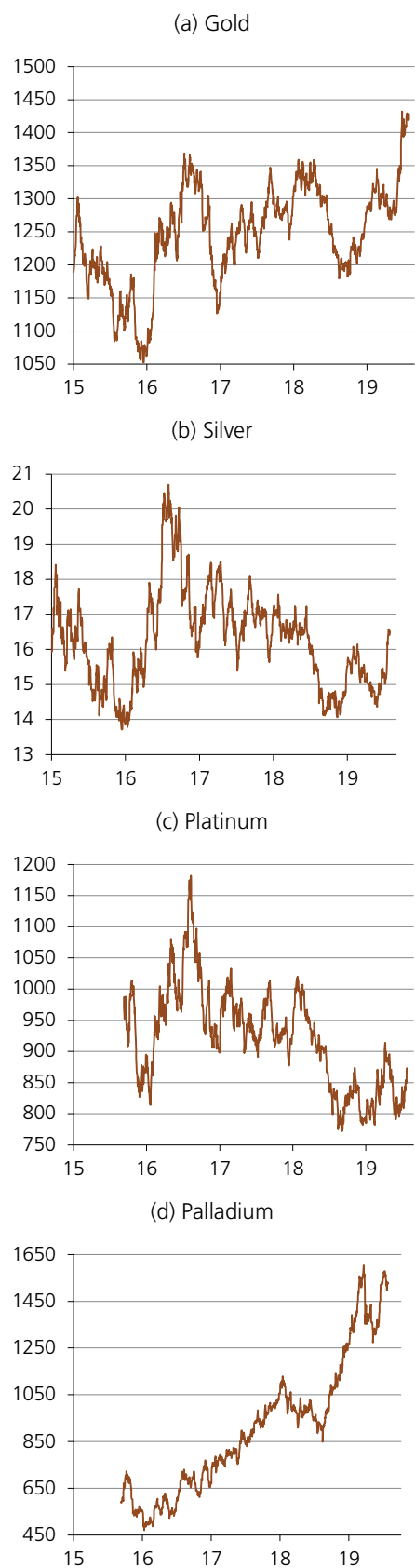
The European Central Bank (ECB) is also likely to cut interest rates further, most likely in September: We expect a decrease of its deposit facility rate, currently standing at minus 0.4 per cent, by another 0.20 per cent. A 0.20 percentage point reduction of its main refinancing rate down to minus 0.2 per cent also seems likely from our point of view. The ECB may also restart its bond purchasing program to ramp up the quantity of money in the euro area.

With the Fed and the ECB setting the ‘easing tone’ in world financial markets, financial market investors may well continue to drive up asset prices, as lowering interest rates increase the present value of future payment streams, translating into higher prices for, i.e., stocks and real estate. The boom will be upheld: Firms will make new investments, given that the central banks’ rate cuts drive down the cost of capital.

However, there is a pretty dark side to the central banks’ return to cutting interest rates. This policy is meant to push interest rates to zero or even below zero in real and/or nominal terms. While this may, in the short-term, result in an artificial “boom”, such a boom must inevitably end in a “bust” – as it has so often in the past –, because the distortion of market interest rates compels consumers and entrepreneurs to make ill-advised decisions, resulting in overconsumption and malinvestment and, eventually, a crisis.

What is more, a nominal interest rate of zero, not to mention a negative real interest rate, destroys the purchasing power of today’s unbacked paper money and all payment claims denominated in this special type of money. This affects not only demand deposits but also time- and savings-deposits held with banks, including short-term debt papers, and it does not stop here: In the extreme case of the euro area, even the nominal yields on long-term bonds have been pushed below the zero line.

**Precious metal prices (USD/oz) in the last 4 years**

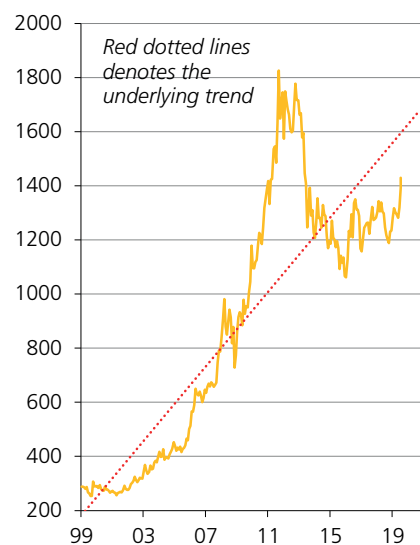


The truth is: Unbacked paper monies – be it the US dollar, the euro, the Japanese yen or the Swiss franc – can no longer be considered safe havens. In fact, all these monies will most likely suffer from a more or less severe loss of their purchasing power under current monetary policies. These unfortunate developments play into the hands of gold and silver holders, for these precious metals cannot be debased by central banks' money printing and policies driving down market interest rates.

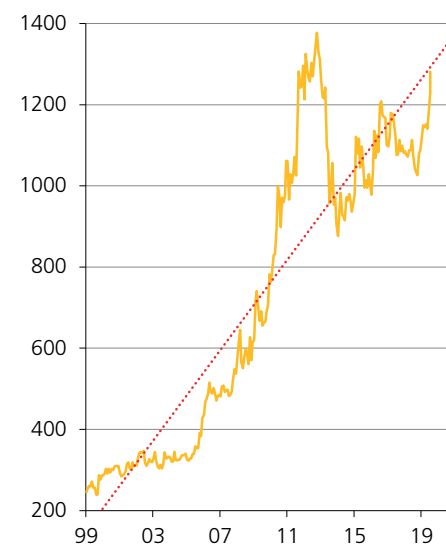
**1 Gold and silver prices trending upwards**

Gold price per ounce

(a) In US dollar



(b) In euro

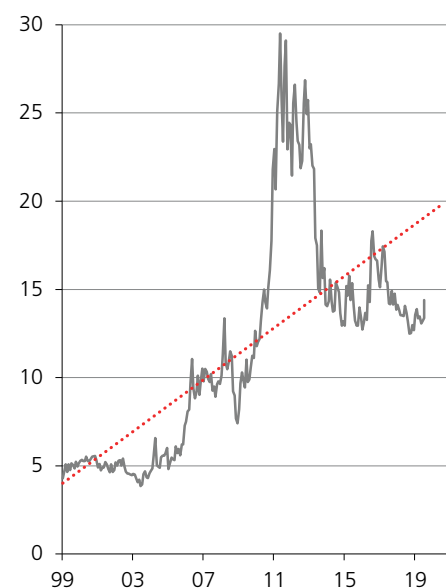


Silver price per ounce

(c) In US dollar



(d) In euro



Quelle: Thomson Financial; Berechnungen Degussa.

In this context, it is instructive to take a brief look at the price performance of gold and silver over the last decades. As you can see in fig. 1 a and b, the price of one ounce of gold (in US dollar as well as in euro) has been following a more or less strong upward trend. Given the monetary policies of the world's major central banks, we think that there is a pretty good chance that this underlying trend will continue and drive up the price of gold even higher.

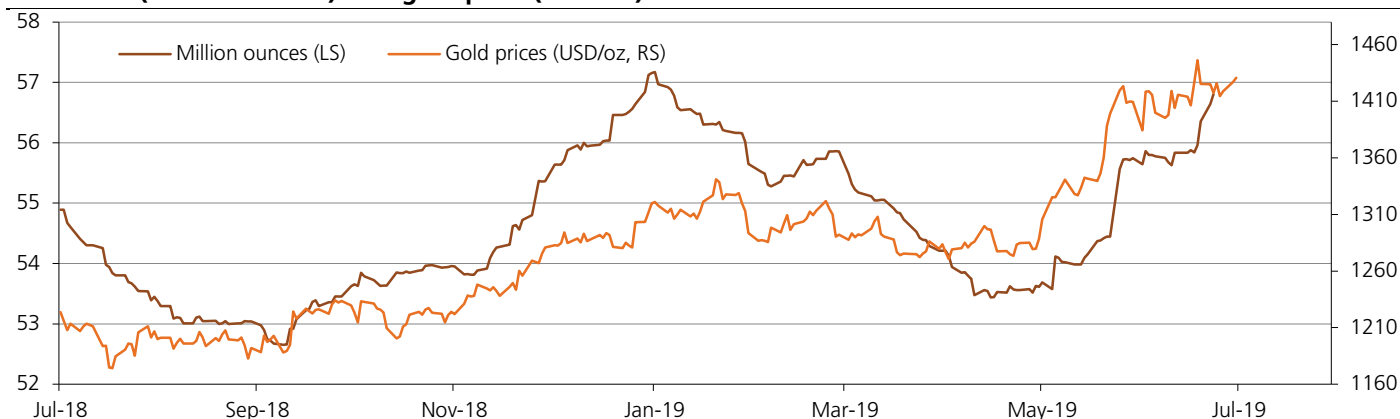
Source: Thomson Financial; graphs by Degussa.

Fig. 1 c and d shows the price of an ounce of silver (in US dollar as well as in euro). Again, you can see an underlying upward trend, and that the current price of silver has been lagging behind its underlying trend since around 2017. This finding suggests that there is a good chance that the price of silver might be traded significantly higher in the months to come, especially so as it tends to follow the price of gold in terms of direction.

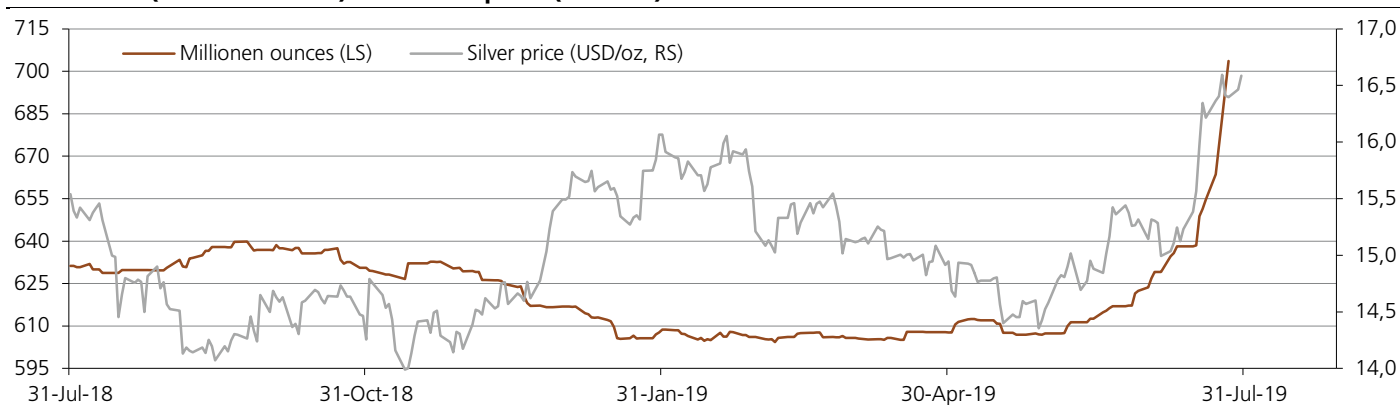
Especially for long-term investors, holding gold and silver offers a very good chance to preserve purchasing power much better than by sticking to unbacked paper monies. Especially gold has a proven track record of keeping its value in times of monetary disorder – a scenario that becomes increasingly likely as central banks around the world remain dedicated to money printing and, in particular, mercilessly pushing interest rates into negative territory.

## Precious metals prices and ETF holdings

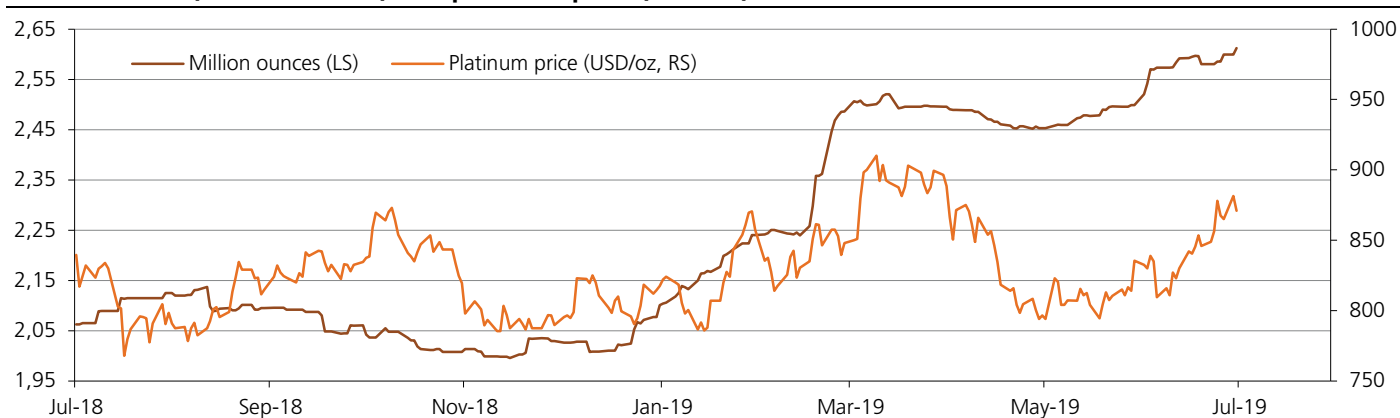
### Gold ETFs (million ounces) und gold price (USD/oz)



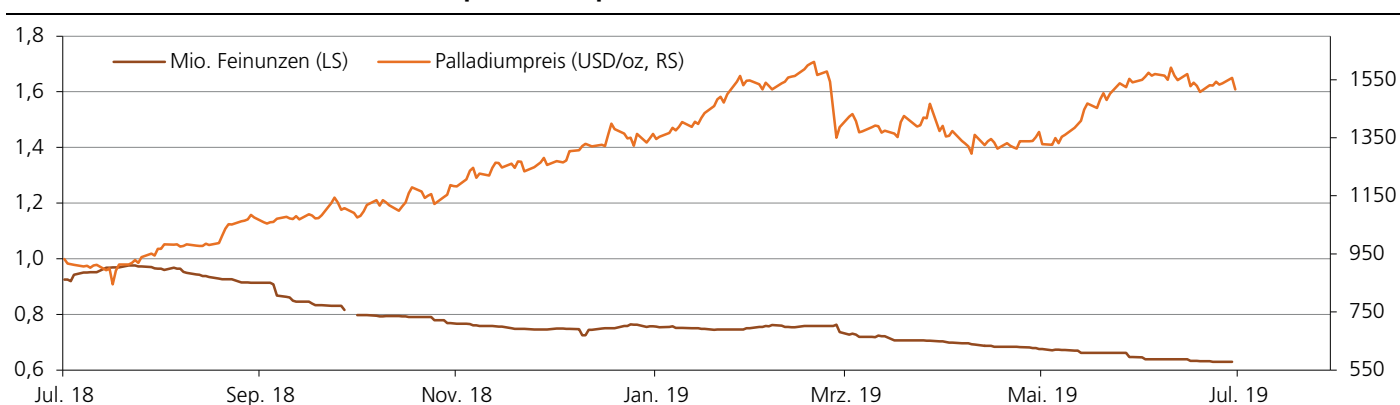
### Silver ETFs (million ounces) and silver price (USD/oz)



### Platinum ETFs (million ounces) and platinum price (USD/oz)



### Palladium ETFs (million ounces) and palladium price (USD/oz)



Source: Thomson Financial; graphs by Degussa.

## Precious metals prices

### In US-dollar

	Gold		Silver		Platinum		Palladium	
I. Actual	1431.9		16.4		873.4		1531.4	
II. Gliding averages								
5 days	1422.1		16.5		870.6		1531.8	
10 days	1423.8		16.4		859.0		1527.2	
20 days	1415.5		15.8		842.9		1545.5	
50 days	1371.9		15.3		821.6		1471.3	
100 days	1331.1		15.1		843.7		1439.9	
200 days	1300.5		15.1		830.8		1367.7	
III. Bandwidths for 2019	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>
	1223	1480	14.4	19.1	785	903	1204	1368
(1)	-15	3	-12	16	-10	3	-21	-11
IV. Annual averages								
2015	1163		15.7		1065		706	
2016	1242		17.0		985		617	
2017	1253		17.1		947		857	
2018	1268		15.8		880		1019	

### In Euro

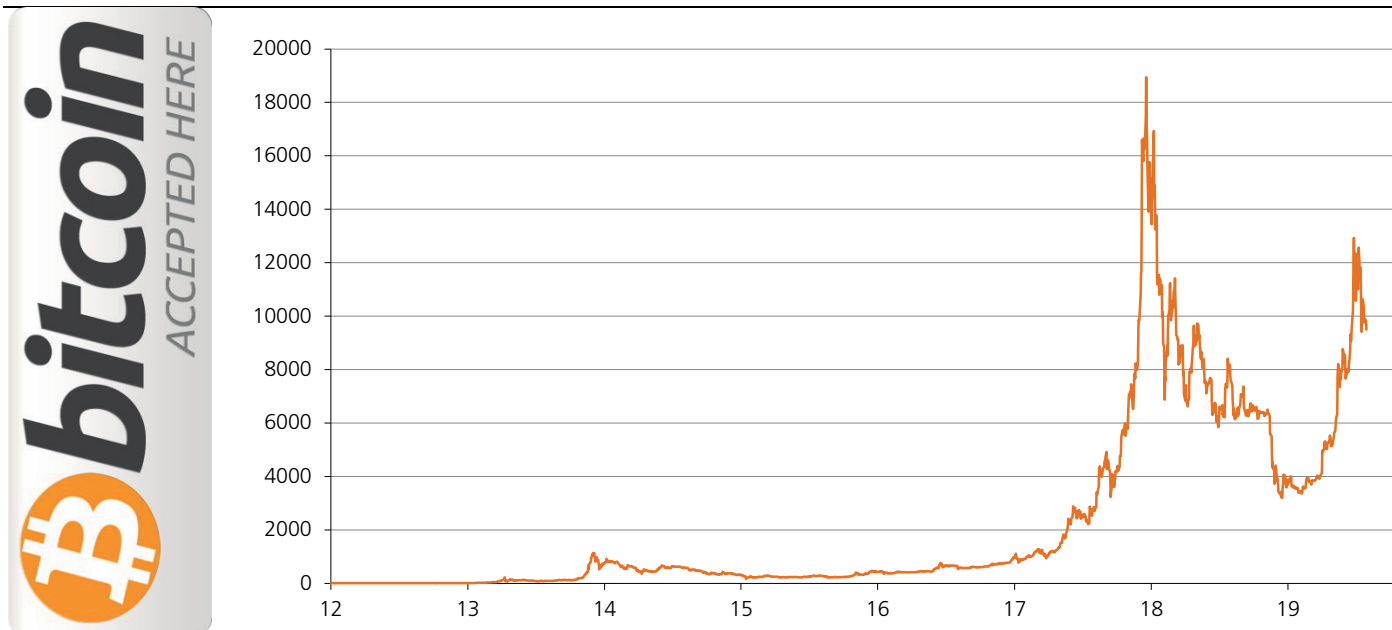
	Gold		Silver		Platinum		Palladium	
I. Actual	1284.3		14.8		783.3		1373.5	
II. Gliding averages								
5 days	1276.6		14.8		781.5		1375.1	
10 days	1274.3		14.6		768.8		1366.8	
20 days	1262.8		14.1		752.0		1378.7	
50 days	1220.5		13.6		731.0		1308.9	
100 days	1184.1		13.5		750.5		1280.8	
200 days	1150.5		13.4		734.9		1210.1	
III. Bandwidths for 2019	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>
	1098.8	1330.2	13.0	17.2	705.5	811.3	1081.7	1229.7
(1)	-14	4	-12	16	-10	4	-21	-10
IV. Annual averages								
2015	1044		14		955		633	
2016	1120		15		888		557	
2017	1116		15		844		760	
2018	1072		13		743		863	

Source: Thomson Financial; own calculations and estimates.

(1) Estimated return against actual price in percent.

# Bitcoin, performance of various asset classes

## Bitcoin in US dollars

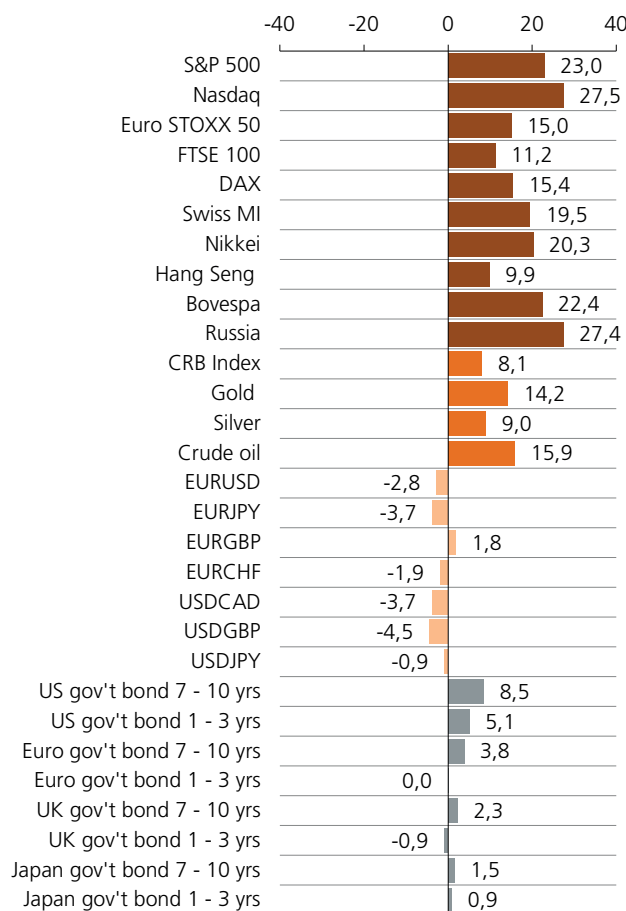
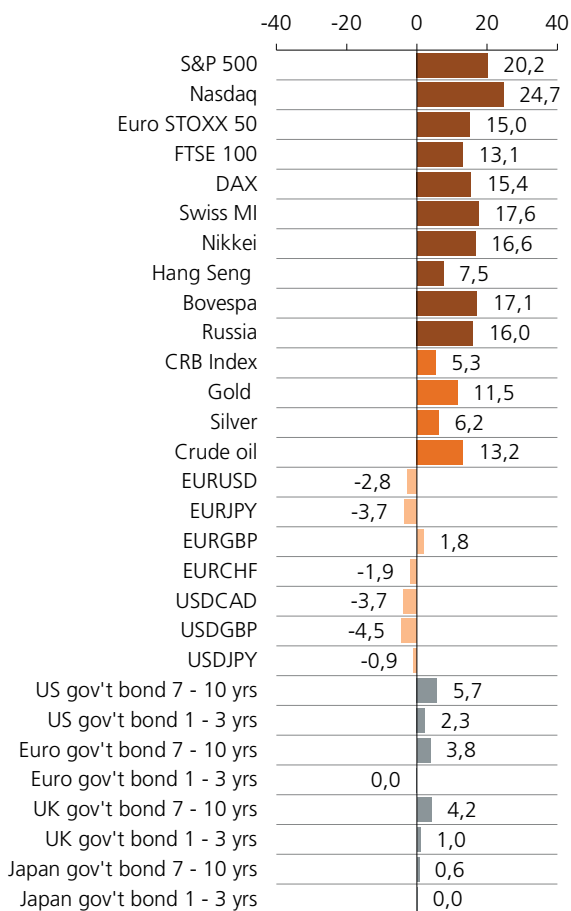


Source: Thomson Financial; graphic Degussa.

## Performance of stocks, commodities, FX and bonds

(a) In national currencies

(b) In euro



Source: Thomson Financial; calculations by Degussa.

## Articles in earlier issues of the *Degussa Market Report*

Issue	Content
1 August 2019	Gold And Silver Prices – Get Going!
19 July 2019	Facebook’s Fake Money
4 July 2019	It Looks Like A Gold Bull Market, It Feels Like A Gold Bull Market – Maybe It Is A Gold Bull Market?
19 June 2019	Good Money, Bad Money—And How Bitcoin Fits In
6 June 2019	Gold Outshines The US Dollar
23 May 2019	The Boom That Will Have It Coming
9 May 2019	The Crusade Against Risk
25 April 2019	A Sound Investment Rationale for Gold
11 April 2019	Be Prepared For All Possibilities. The Case For Gold
28 March 2019	Sword of Damocles Over Asset Prices
14 March 2019	The Big Central Banks Increase the Case for Gold
28 February 2019	The Fed Takes Full Control of the Bond Market – And Raises The Value of Gold
14 February 2019	Everything You Always Wanted to Know About Karl Marx and Central Banking (*But Were Afraid To Ask)
1 February 2019	Pay Attention, Gold Investor: ‘This Time is not Different’
17 January 2019	US Interest Rate Down, Price of Gold up
20 December 2018	Gold Money in a Digitalised World Economy
10 December 2018	The Fed Supports Gold
23 November 2018	The Fed Is Not Our Saviour
9 November 2018	The Missing Fear – And The Case For Gold
26 October 2018	President Trump is right: The Fed Is A Big Problem
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28 September 2018	The Fed’s Blind Flight
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