

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
I. In US-dollar				
Gold	1.514.8	6.8	18.0	26.2
Silver	17.3	5.4	15.6	19.1
Platinum	852.1	-0.9	-3.8	8.9
Palladium	1.436.9	-6.4	3.5	46.5
II. In euro				
Gold	1.354.9	6.3	18.4	31.0
Silver	15.4	4.9	16.0	23.6
Platinum	762.2	-1.7	-3.5	12.3
Palladium	1.285.0	-6.7	3.9	52.3
III. Gold price in other currencies				
JPY	160.510.0	4.2	12.2	20.4
CNY	10.634.3	9.0	23.0	29.7
GBP	1.254.6	9.6	27.4	35.5
INR	107.960.8	1.9	20.8	26.6
RUB	99.591.4	10.9	20.2	22.9

Source: Thomson Financial; calculations by Degussa.

OUR TOP ISSUES

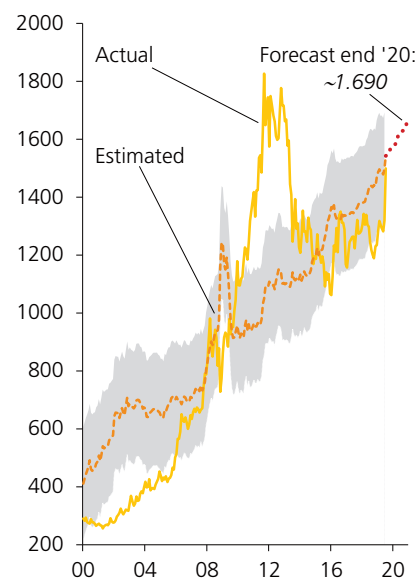
This is a short summary of our fortnightly *Degussa Marktreport*.

The Gold Bull Market Is Back

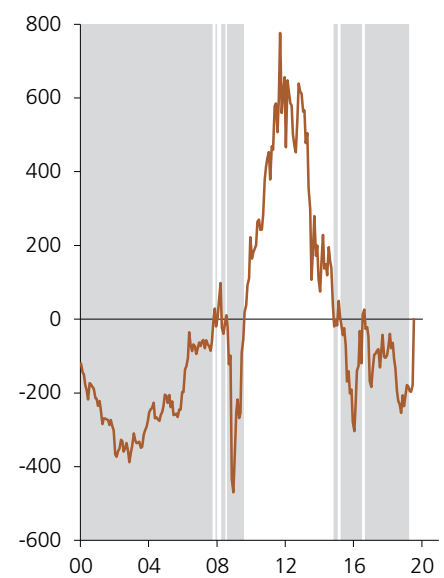
There is this humorous saying: "It walks like a duck, it sounds like a duck, and it walks like a duck. Maybe it is a duck?" The prices of gold and silver have gone up quite substantially since June, with gold for the first time since 2013 trading at around 1.500 USD/oz; silver trades close to 17 USD/oz. Where do we go from here? The rise in the price of gold appears to be a "catch up" price movement. Gold has been trading at what appears to be a discount for quite a while. As we pointed out in our Degussa Market Report on 25 April 2019, at that time, the fair price of gold would have been around 1.500 USD/oz.¹ We now consider it necessary to raise this estimate.

1 Gold price moving higher

(a) Gold price in USD/oz, actual and estimated



(b) Deviation of gold price from its estimated price in USD/oz

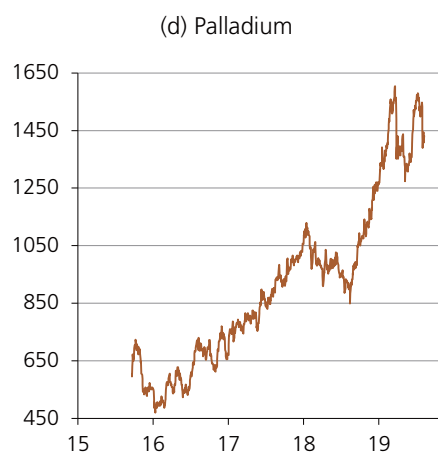
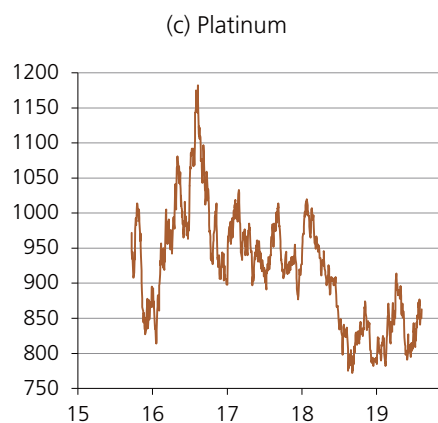


Source: Thomson Financial; calculations by Degussa.

Many factors are now in place that suggest an ongoing increase in the demand for gold, which should translate into higher prices going forward. Consider the confrontation between the US and China potentially having negative consequences for the world economy; it could prove to be lethal to the current business cycle. Most importantly, however, monetary policies around the world appear to be more than ever obsessed with bringing down market interest rates. The European Central Bank (ECB) is about to push euro interest rates even fur-

¹ See *Degussa Market Report, 25 April 2019, A Sound Investment Rationale For Gold*.

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



Source: Thomson Financial; graphs by Degussa.

ther into negative territory, perhaps as early as September.

By cutting the Federal Funds Rate in July, the US Federal Reserve has heralded a new easing cycle. In Japan, market interest rates are already creeping along the zero line, and even China's next monetary policy move might soon bring lower credit costs. With the world's interest rates heading to zero or even below zero, official currencies can no longer be viewed as a reliable store of value. With market interest rates at or below zero, and consumer and asset price inflation continuing, cash and liquid bank deposits will lose their purchasing power. This means that monetary policies cut down on the number of secure and liquid assets available for private and institutional investors.

We think that this development will almost certainly cause the *structural* demand for gold in the portfolios of private and institutional investors to increase. This, in turn, is most likely a major force that will boost the price of gold in the months ahead. As you will see on page 3, we nudged our price estimate for gold up to around 1.690 USD/oz towards the end of 2020, with the silver price expected to move towards 23 USD/oz. Of course, the usual caveats apply: Any forecast, especially for precious metal prices, comes with a great deal of uncertainty. However, we are convinced that our price estimates will most likely turn out to be fairly conservative.

We identified a more or less stable long-standing relationship between the gold price and various determining factors. Subsequently, we assumed that the (world) monetary supply will continue to move along the expansion trajectory observed over the past years, while assuming that interest rates and credit costs will remain at current levels. That said, we feel that the inevitably inherent "error" of such an estimate is most likely on the downside, meaning that precious metal prices might well turn out to be somewhat higher, or in the case of an escalating crisis significantly higher than predicted.

Against this backdrop, we feel comfortable to encourage investors to keep their gold and silver holdings or even increase them further at current prices. We do not only think that there is an attractive upward price potential for gold and silver, but we also think that these monetary metals are a *natural substitute* for time- and savings deposits held with banks. Finally, the savvy and long-term oriented investor should keep in mind that gold and silver cannot be debased by monetary policies, and that they also do not carry a default risk as bank deposits and short-term debt paper do.

Precious metals prices

In US-dollar per ounce

	Gold		Silver		Platinum		Palladium	
I. Actual	1515.0		17.2		844.4		1427.8	
II. Gliding averages								
5 days	1486.5		16.8		854.4		1428.2	
10 days	1456.9		16.6		857.6		1458.7	
20 days	1438.9		16.4		855.4		1495.1	
50 days	1400.7		15.6		830.5		1488.0	
100 days	1343.9		15.2		844.2		1429.5	
200 days	1309.9		15.2		831.4		1381.2	
III. Estimate for end 2020	1690		22.9		930		1570	
<i>Bandwidths</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>
	1440	1840	16	26	780	990	1380	1650
⁽¹⁾	-5	21	-5	53	-8	17	-3	16
IV. Annual averages								
2016	1242		17.0		985		617	
2017	1253		17.1		947		857	
2018	1268		15.8		880		1019	

In euro per ounce

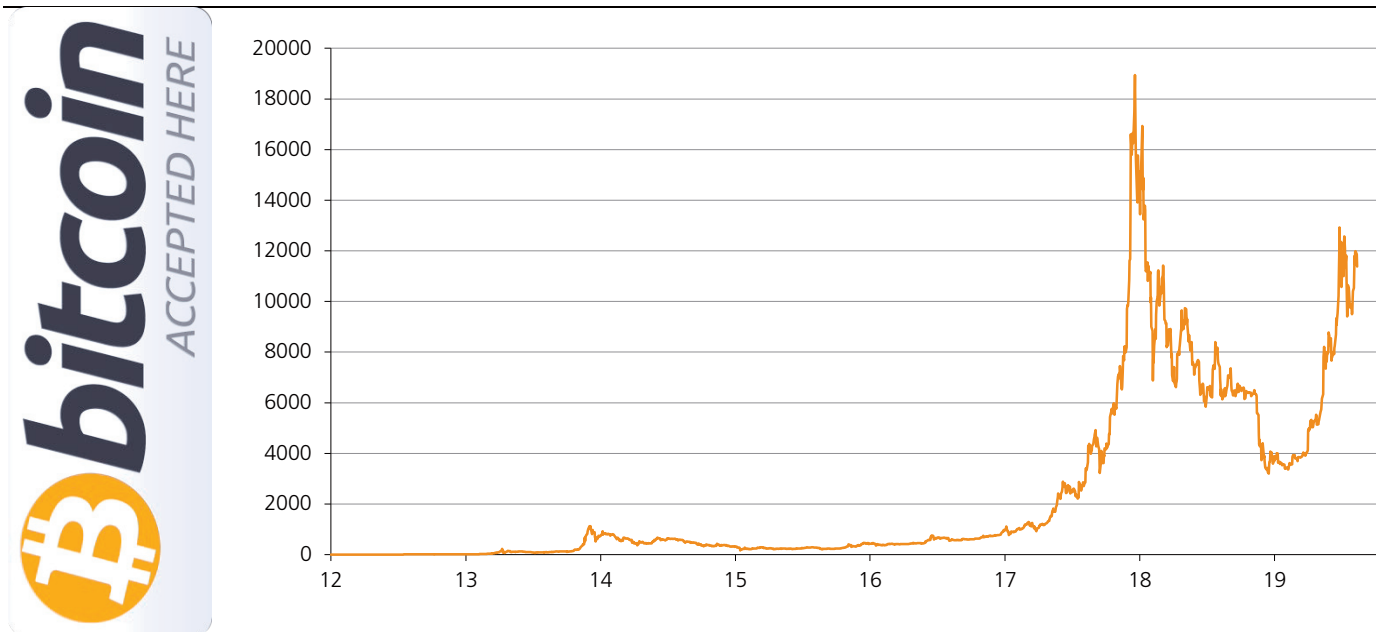
	Gold		Silver		Platinum		Palladium	
I. Actual	1360.6		15.4		758.3		1282.3	
II. Gliding averages								
5 days	1327.5		15.0		763.0		1275.4	
10 days	1305.9		14.9		768.8		1307.7	
20 days	1287.6		14.6		765.4		1337.8	
50 days	1246.3		13.9		739.0		1323.9	
100 days	1196.9		13.6		751.9		1273.1	
200 days	1159.7		13.5		736.0		1223.0	
III. Estimate for end 2020	1580		22		870		1470	
<i>Bandwidths</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>
	1350.0	1730.0	15.3	24.8	730.0	930.0	1290.0	1550.0
⁽¹⁾	-1	27	-1	61	-4	23	1	21
IV. Annual averages								
2016	1120		15		888		557	
2017	1116		15		844		760	
2018	1072		13		743		863	

Source: Thomson Financial; own calculations and estimates. Numbers are rounded.

⁽¹⁾ Estimated return against actual price in percent.

Bitcoin, performance of various asset classes

Bitcoin in US dollars

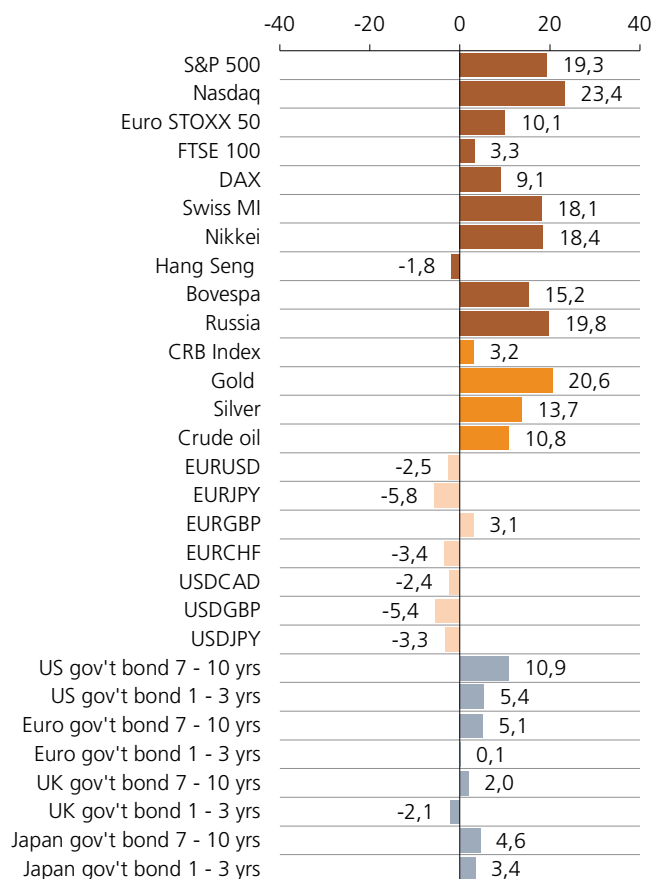
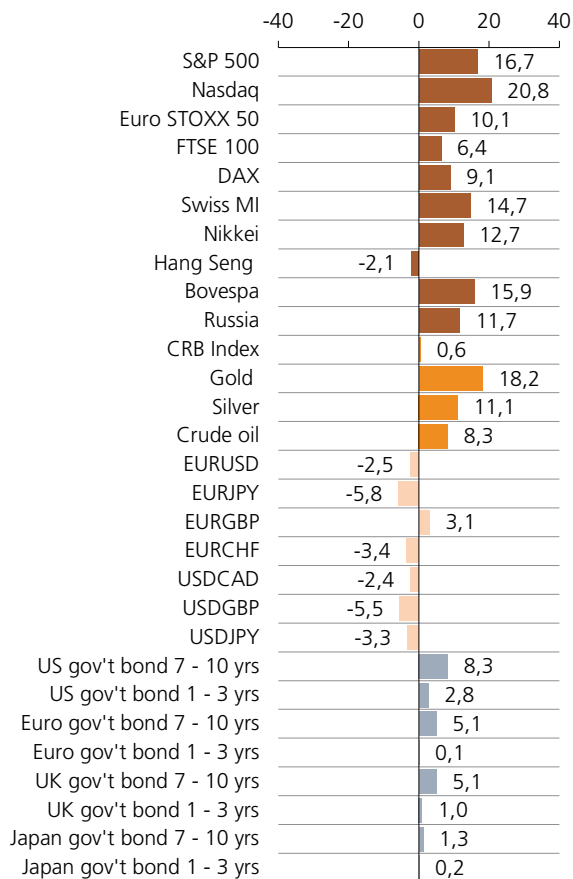


Source: Thomson Financial; graph by Degussa.

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
15 August 2019	The Gold Bull Market Is Back
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
12 October 2018	Here Goes The Punch Bowl
28 September 2018	The Fed’s Blind Flight
14 September 2018	How Fed Policy Relates to the Price of Gold
31 August 2018	Central Banks Enrich a Select Few at the Expense of Many
17 August 2018	The US dollar And Gold – Is this Time Different?
20 July 2018	Not All Is Well In Financial Markets
22 June 2018	Euro-Banks In Trouble. A Case for Gold
8 June 2018	Demand for Gold ETFs up Despite Higher Interest Rates
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11 May 2018	Mr Buffett on Gold – Viewed Differently
27 April 2018	Moving Towards Higher Gold Prices
13 April 2018	The Risk of a Currency Crisis
29 March 2018	Walking the Tightrope
16 March 2018	Gold, Interest Rates, And Money
2 March 2018	Gold in Times of Boom and Bust
16 February 2018	The Fed Makes The Stock Market A Risky Place
2 February 2018	Central Banks Put a Safety Net Under Financial Markets
19 January 2018	Chances And Risks For Investors in 2018

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

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