

## 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	1.488.0	-0.1	5.3	21.8
Silver	17.6	0.3	8.2	24.2
Platinum	927.3	4.3	7.9	16.2
Palladium	1.794.4	2.3	18.3	52.3
<b>II. In euro</b>				
Gold	1.344.0	0.8	5.3	24.5
Silver	15.9	1.2	8.3	26.9
Platinum	837.5	5.1	7.6	18.8
Palladium	1.619.0	3.1	18.2	55.5
<b>III. Gold price in other currencies</b>				
JPY	162.260.0	0.5	5.6	17.0
CNY	10.411.8	-1.3	7.0	22.5
GBP	1.156.0	0.7	-0.5	20.7
INR	105.591.0	1.9	8.5	24.1
RUB	94.980.3	0.0	5.6	15.9

Source: Thomson Financial; calculations by Degussa.

## OUR TOP ISSUES

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

## ETFs DRIVE GOLD DEMAND

In Q3 2019, global gold demand stood at 1,107.9 tonnes, an increase of 3% compared to the corresponding quarter of the previous year; this was announced by the World Gold Council on 5 November 2019. Gold ETF demand grew by a strong 258.2 tonnes (the most significant increase since Q1 2016), with total ETF gold holdings reaching an all-time high of 2,855.3 tonnes.

### Gold demand (Tonnes)

	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Year-on-year % change
<b>Jewellery</b>	527,4	520,8	546,2	646,9	530,3	529,8	460,9	▼ -16
<b>Technology</b>	81,8	83,3	85,4	84,3	80,0	81,0	82,2	▼ -4
Electronics	65,3	66,5	68,8	67,8	63,6	64,6	66,5	▼ -3
Other Industrial	12,5	12,8	12,9	13,0	12,9	12,7	12,2	▼ -5
Dentistry	4,0	4,0	3,7	3,6	3,5	3,7	3,5	▼ -7
<b>Investment</b>	289,0	282,4	194,4	398,2	300,5	296,8	408,6	▲ 110
Total bar and coin demand	261,3	248,2	298,2	284,1	258,3	220,1	150,3	▼ -50
Physical Bar demand	195,5	179,4	208,4	194,1	185,8	151,0	89,8	▼ -57
Official Coin	50,2	51,4	71,4	67,9	56,1	50,3	47,3	▼ -34
Medals/Imitation Coin	15,5	17,3	18,4	22,1	16,3	18,8	13,2	▼ -28
ETFs & similar products*	27,7	34,2	-103,8	114,1	42,2	76,7	258,2	▲ -
<b>Central banks &amp; other inst.</b>	84,8	152,8	253,1	165,6	157,0	234,3	156,2	▼ -38
<b>Gold demand</b>	982,9	1.039,3	1.079,0	1.295,0	1.067,8	1.141,8	1.107,9	▲ 3
<b>LBMA Gold Price, US\$/oz</b>	1.329,3	1.306,0	1.213,2	1.226,3	1.303,8	1.309,4	1.472,5	▲ 21

Source: World Gold Council, Q3 2019, 5 November 2019.

By contrast, central bank gold demand reached 156.2 tonnes, 38% YoY (and can be explained by the particularly high gold purchases in Q3 2018). However, since the beginning of 2019 central banks have been asking for a total of 547.5 tonnes of gold, a substantial 12% increase compared to the same period last year.

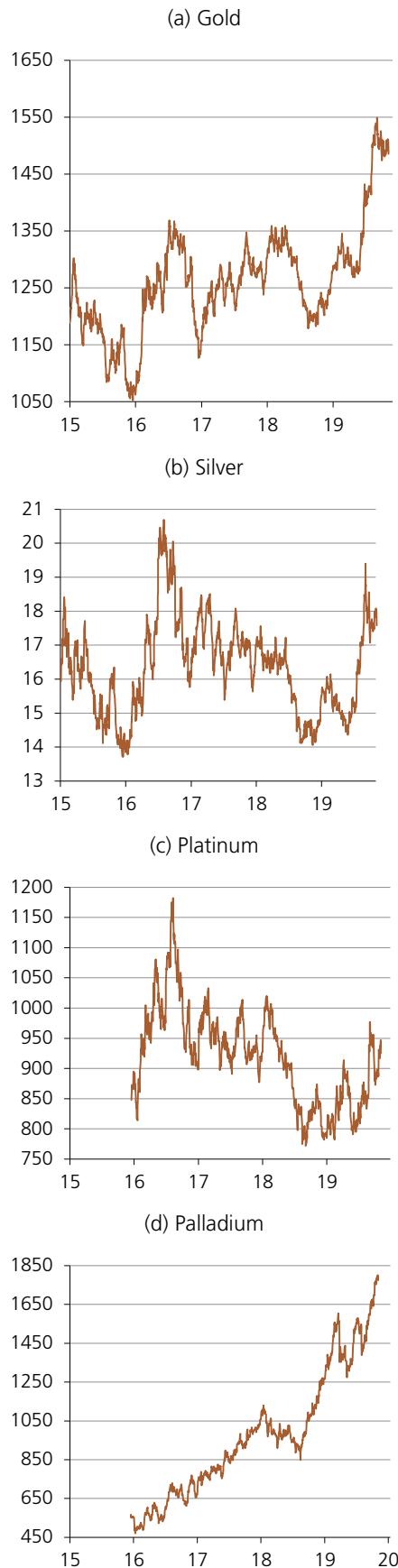
Gold jewellery demand in Q3 2019 fell 16% YoY to 460.9 tonnes. The demand for bars and coins also fell sharply; it halved to 150.3 tonnes compared to the same quarter last year; most notably, gold jewellery demand dropped significantly in India and China.

Global gold supply rose 4% YoY, reaching 1,222.3 tonnes. Recycled gold supply increased by 10% YoY, while mine output came in at 877.8 tonnes, virtually unchanged compared to the corresponding quarter of the previous year.

To sum it up: The gold demand over the past quarter was clearly driven upwards by gold ETFs; holding gold through ETFs seems to become increasingly attractive to many investors. The main reason for this was presumably the increased demand from both institutional and private investors:

In times of zero and even negative interest rates, gold is becoming increasingly attractive because the opportunity cost of holding gold is low. What is more, investors appear to believe that the gold price continues to offer upside potential, providing portfolio insurance and a positive return perspective. We assume

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



Source: Thomson Financial; graphs by Degussa.

that the positive demand trend in the gold market will remain intact in the coming quarters, combined with a gold price that continues to rise in the trend.

It may be enlightening to illustrate the relationship between ETF gold holdings and the price of gold in US dollar in the last years. As apparent in the chart below, both series are positively and relatively strongly correlated. This means that a rise in ETF gold holdings was associated with an increase in the price of gold and vice versa. The open question, however, is: Who is in the driver's seat? Is a surge in the price of gold luring investors into gold ETFs? Or is increased demand for gold ETFs driving up the price of gold?

**1 Demand for gold ETFs comes with higher gold price**

*Gold ETF holdings (mn oz) and price of gold (USD/oz)*



Source: Thomson Financial; graph by Degussa.

Whatever the answer might be: If and when the popularity of gold ETFs indeed increases among retail and institutional investors, it might well result in a more volatile gold price going forward. ETFs allow a large number of investors to build up and reduce significant exposure to the gold market quickly, which, in turn, could cause substantial fluctuations in demand for physical gold and thus ultimately the US dollar price of gold. For those interested in gold, this might bring about some nerve-wracking phases but will also offer attractive windows of opportunity – especially so as the *gold bull market* continues, as we think it will.

## Precious metals prices

### In US-dollar per ounce

	Gold		Silver		Platinum		Palladium	
I. Actual	1485.9		17.6		926.2		1781.4	
II. Gliding averages								
5 days	1487.5		17.5		888.4		1762.6	
10 days	1489.2		17.6		889.3		1733.2	
20 days	1494.5		17.6		894.7		1696.9	
50 days	1507.7		17.8		904.7		1601.5	
100 days	1457.8		16.8		868.6		1546.4	
200 days	1377.5		16.0		854.1		1478.7	
III. Estimate for end 2020	1690		22.9		930		1570	
Bandwidths	Low	High	Low	High	Low	High	Low	High
	1440	1840	16	26	780	990	1380	1650
(1)	-3	24	-7	50	-16	7	-23	-7
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

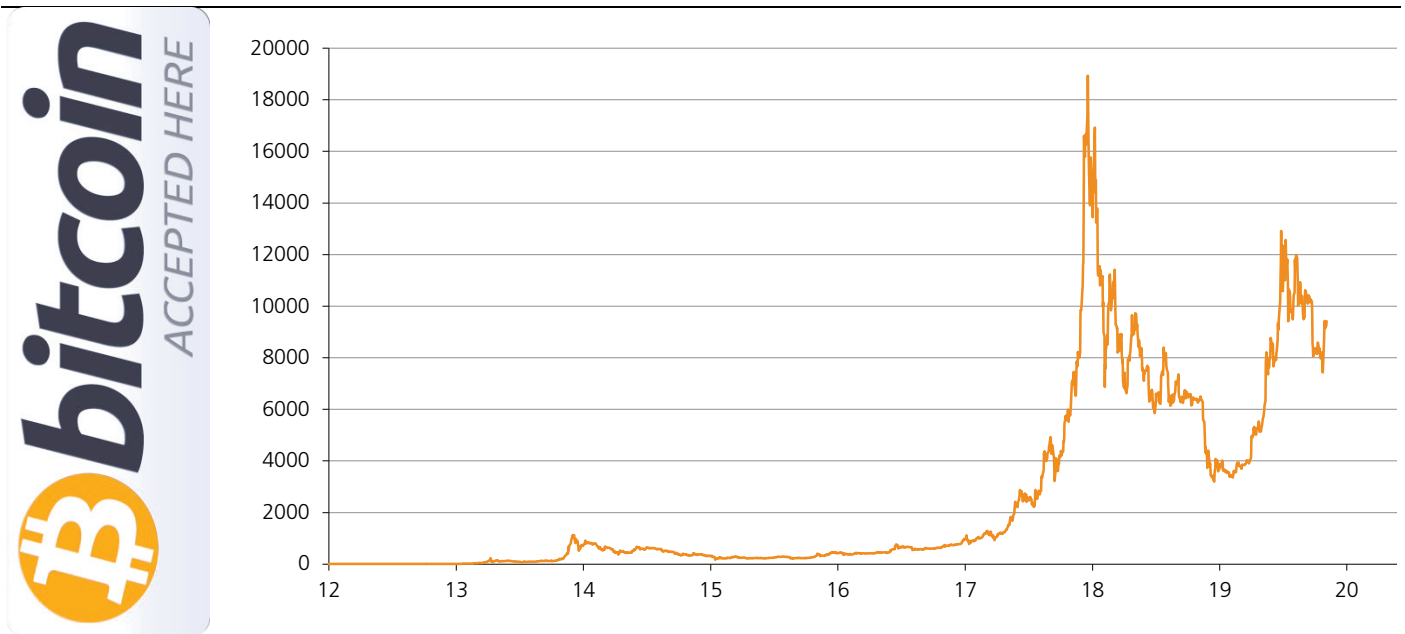
	Gold		Silver		Platinum		Palladium	
I. Actual	1340.6		15.8		835.6		1607.2	
II. Gliding averages								
5 days	1338.1		15.8		799.2		1585.6	
10 days	1345.6		15.9		803.5		1565.9	
20 days	1357.4		16.0		812.6		1541.0	
50 days	1366.1		16.1		819.8		1451.3	
100 days	1309.5		15.1		780.3		1389.1	
200 days	1229.9		14.3		762.5		1320.0	
III. Estimate for end 2020	1580		22		870		1470	
Bandwidths	Low	High	Low	High	Low	High	Low	High
	1350.0	1730.0	15.3	24.8	730.0	930.0	1290.0	1550.0
(1)	1	29	-3	56	-13	11	-20	-4
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

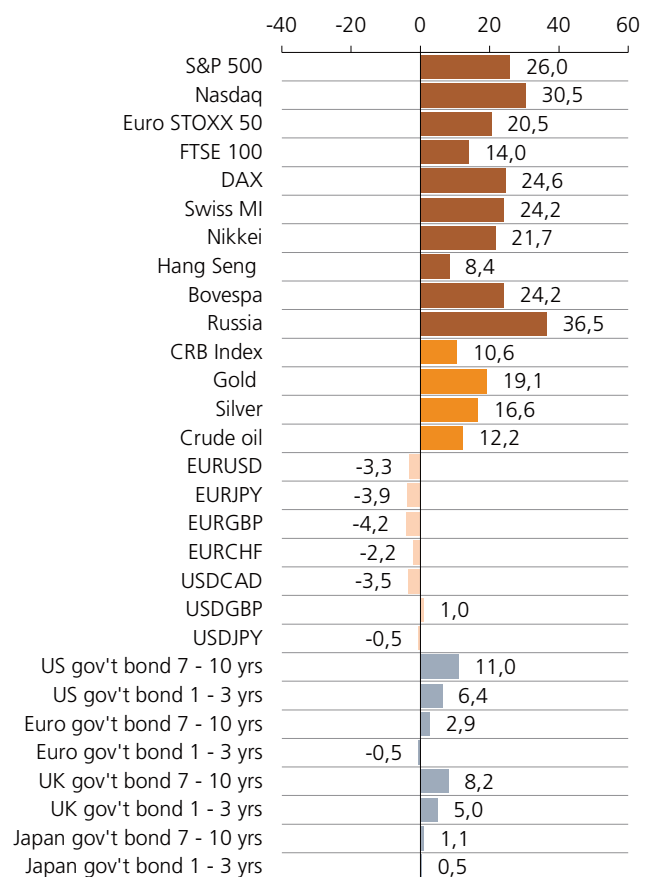
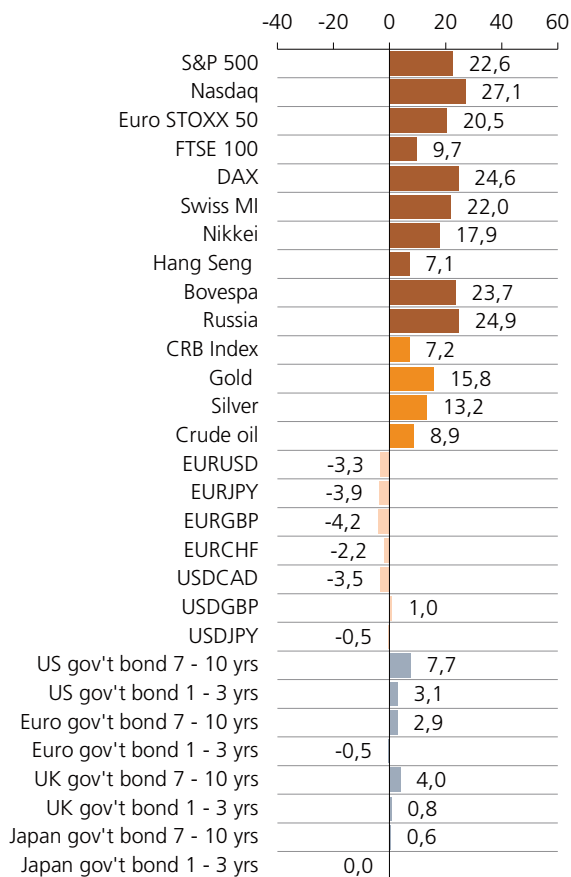


Source: Thomson Financial; graph by Degussa.

## 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
7 November 2019	ETFs Drive Gold Demand
24 October 2019	The Inflationary Supply Of Unbacked US Dollars And The Price Of Gold
10 October 2019	Let's Get Physical With Gold And Silver
26 September 2019	The US Dollar Beast
12 September 2019	The Inflationary Tide That Lifts all Boats but One
29 August 2019	The Disaster of Negative Interest Rate Policy
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
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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
25 May 2018	Mind The Interest Rate
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

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