

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	1.908.8	0.5	-3.3	30.5
Silver	24.1	-0.1	-0.9	42.9
Platinum	874.9	1.7	-3.5	-2.5
Palladium	2.293.1	-1.7	9.7	23.8
II. In euro				
Gold	1.628.8	0.5	-2.8	23.4
Silver	20.6	0.1	-0.3	35.1
Platinum	746.6	1.6	-2.6	-7.9
Palladium	1.957.0	-1.6	10.3	17.1
III. Gold price in other currencies				
JPY	198.974.0	-0.6	-4.8	24.9
CNY	12.689.4	-0.2	-7.9	23.3
GBP	1.466.7	-0.2	-2.8	29.8
INR	141.899.3	1.9	-4.1	35.5
RUB	149.508.4	1.3	2.0	59.2

Source: Refinitiv; calculations by Degussa.

OUR TOP ISSUES

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

“FOR IN FIRE GOLD IS TESTED”

Jesus Sirach, 2:5

Welcome, everybody!

The title of my talk is: “For in fire gold is tested”, words I took from the Old Testament, written by Ben Sira (also known as Shimon ben Yeshua ben Eliezer ben Sira (180–175 BCE) or under his Greek name Ecclesiasticus).

I will, in the first step, explain that today’s worldwide unbacked paper- or “fiat” money regime is an economically and socially destructive scheme – with far-reaching and seriously harmful consequences.

In a second step, I will argue that a free market in money – which amounts to ending the money production monopoly of states – would solve the numerous economic, social, and political problems we face today.

In a third and final step, I will address the issue of gold in today’s and tomorrow’s world of monetary turmoil. I hope that against this backdrop, you will understand why the title of my talk is “For in fire gold is tested.”

WHAT IS FIAT MONEY, AND WHAT DOES IT DO?

Please let me begin by saying that the US dollar, the Chinese renminbi, the euro, and the British pound represent fiat money.

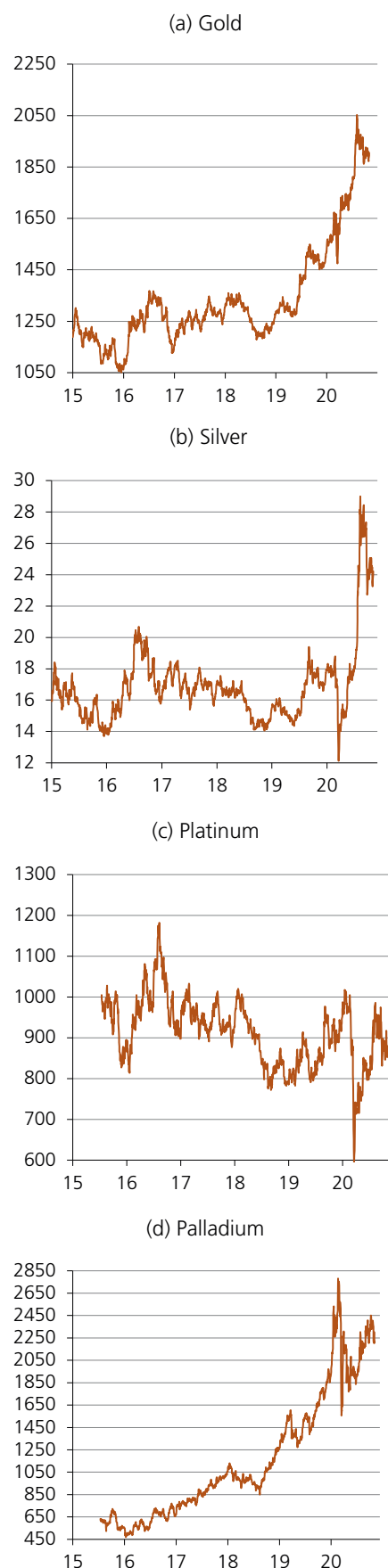
Fiat money has three characteristics:

- (1) Fiat money is money monopolised by the state’s central bank. It is created by central banks and commercial banks, licensed by the state.
- (2) Fiat money is mostly produced through bank credit expansion; thus, it is created out of thin air.
- (3) Fiat money is dematerialised money, consisting of colourful paper tickets and bits & bytes on computer hard drives.

Fiat money is by no means “harmless”. Fiat money is inflationary. Its buying power dwindles over time, and history has shown that this entropy is almost as irreversible as gravity.

Fiat money makes a select few rich at the expense of many others. The first to get new money benefit to the detriment of those on the bottom rung.

Precious metal prices (USD/oz) in the last 7 years



Source: Refinitiv; graphs by Degussa.

What's more, fiat money fosters speculative bubbles and capital misallocations that culminate in crises. This is why economies go through boom and bust cycles.

Fiat money lures states, banks, consumers, and firms into the trap of excessive debt. Sooner or later, borrowers find themselves in a deep hole with no way out.

Fiat money is easy to come by, so the government can finance its adventures and misadventures. Easy money; easy come, easy go. And the government keeps growing as it keeps spending.

As the state expands and grows like weeds in an untended garden, this excessive growth strangles the free market economy, causing production and employment to suffer.

After decades of credit and money creation out of thin air, central banks have built up a colossal debt pyramid. The International Institute for Finance (IIF) estimates that global debt amounted to 331 per cent of global GDP in the first quarter of 2020.

The coronavirus crisis, in particular the politically dictated lockdown crisis, has laid bare the instability of the world's debt-ridden fiat money regime.

Without growth, investors must fear that borrowers might no longer be able to service their debt – and so investors rush to exit the credit market. As credit supply dries up, many borrowers are not in a position to repay maturing loans, nor are they able they obtain new funds.

To prevent the fiat money regime from collapsing in the lockdown crisis, central banks have stepped in, suppressing market interest rates and printing new money to prevent financially overstretched states, banks, and firms from defaulting on their payments. Central banks monetise national debt on a grand scale, hitherto seen only in times of war.

MOVING TOWARDS SOCIALISM

To sit back and think “Well, monetary authorities have successfully bailed out the system, everything will be fine,” would be a grave mistake. Because more than ever, central banks are doing severe damage to what little is left of the free market economic system.

Artificially low interest rates and massive amounts of newly created money lead to malinvestment on a grand scale, and under current circumstances, they help to make government even bigger, feeding the growth of the “deep state”.

The uncomfortable truth is that the fiat money regime and all political efforts to prevent its collapse lead to semi-socialism or even outright socialism.

And from an economic and historical perspective, we know that any form of socialism does not bode well. It impoverishes people, brings chaos, oppression, and violence.

Furthermore, what should worry all of us is that the fiat money regime is instrumental for those political forces that wish to transform, to reshape the world economy. The “political establishment”, the “Davos Elite”, for instance,

undoubtedly favours fiat money and the erosion of the free-market system it brings – for it increases the possibilities of the state to interfere in people’s lives.

In fact, the so-called ‘new world order’ that progressivists envision – replacing the free market system by a planned economic system, if put into practice – poses a serious threat to the freedom and prosperity of billions of people around the globe.

THE WAY OUT

With that in mind, I will speak an unsettling truth, which is that if people are coerced into using fiat money, the free economic and societal order will not survive.

What could be the solution? Well, a solution is at hand and, technically speaking, it is quite simple: Open a free market in money!

A free market in money means that everybody has the freedom to choose the kind of money he or she thinks is best.

And everyone has the freedom to offer his or her fellow human beings something that can serve them as money.

But wouldn’t that result in monetary chaos? Would the market be flooded with thousands of new monies?

No, it would not! For it is the demand for money, the multiplicity of individual actors, who would decide what will be used as money.

If people can choose freely, it may not take long for a good to emerge that will be used as money not only nationally but internationally – as a universally recognised medium of exchange.

Of course, we wouldn’t know what people prefer as money. However, looking into monetary history, there is reason to believe that precious metals, gold and silver, in particular, would be in the race for becoming money. Looking ahead, it could also be a crypto unit. Who knows?

Why aren’t people using gold and silver for payment purposes right now? Well, people got used to using US dollar, euro and the like as medium of exchange.

What is more, people are not yet deterred by the chronic “inflation tax” on their money balances, which means that the purchasing power of money decreases over time.

And perhaps even more important: Government taxes – namely value-added taxes and/or capital gains taxes – on precious metals make them uncompetitive against official currencies.

But change is underway. As you may know, quite a few US states (e.g., Texas, Arizona, Utah, and Wyoming, to name a few) have abolished sales taxes and capital gains taxes on precious metals, allowing for a level playing field in terms of alternative monies competing with the US dollar.

THE CASE FOR GOLD

Whatever comes out of the current monetary mess, regardless of the twists and turns it may take from here, there is good reason to hold on to physical gold. For fiat money will inevitably bring inflation and economic hardship.

Former Federal Reserve chairman Alan Greenspan summed it up best when he said in 2014:

“Gold is a currency. It is still, by all evidence, a premier currency. No fiat currency, including the dollar, can match it.”

Gold is not only the ultimate means of payment. It is also a line of defence against the evils of fiat money. Gold’s purchasing power cannot be debased by central banks running the printing presses.

In addition, gold does not carry a credit, or default, risk as bank deposits do.

I dare to assume that gold still represents the ultimate means of payments. For in extreme situations, fiat money might no longer be accepted as money. I believe the chances that gold will always be accepted are excellent.

There are good reasons to believe that gold, given the current state of macro-economic factors, offers an attractive upside potential – and also provides protection against the effects of increasing turmoil in the world’s monetary and economic system.

That said, I would like to side with Ray Dalio, who recently said: “I believe that it would be both risk-reducing and return-enhancing to consider adding gold to one’s portfolio.”

And that brings me back to the title of my talk, “For in fire gold is tested”.

We do not know what the future will bring. But we know, however, that a world of freedom and prosperity needs sound money, that it cannot possibly function without sound money.

Even if you are optimistic that we as a people will overcome current problems, that mankind has the potential to move forward and create a better world, you have good reason to hold gold rather than fiat currencies.

Thank you very much for your attention!

PRECIOUS METALS PRICES

In US-Dollar per ounce

	Gold		Silver		Platinum		Palladium	
I. Actual	1910.9		24.3		877.5		2338.9	
II. Gliding averages								
10 days	1897.2		24.2		874.3		2303.9	
20 days	1900.7		24.3		872.7		2336.4	
50 days	1915.3		25.2		893.4		2307.7	
100 days	1893.7		23.7		886.7		2181.3	
200 days	1774.1		19.9		853.3		2154.2	
III. Estimates, mid 2020	2550		48		1059		2066	
⁽¹⁾	33		98		21		-12	
<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>
	2310	2780	43.0	53.0	823	1295	1899	2299
⁽¹⁾	21	45	77	118	-6	48	-19	-2
V. Annual averages								
2017	1253		17.1		947		857	
2018	1268		15.8		880		1019	
2019	1382		16.1		862		1511	

In Euro per ounce

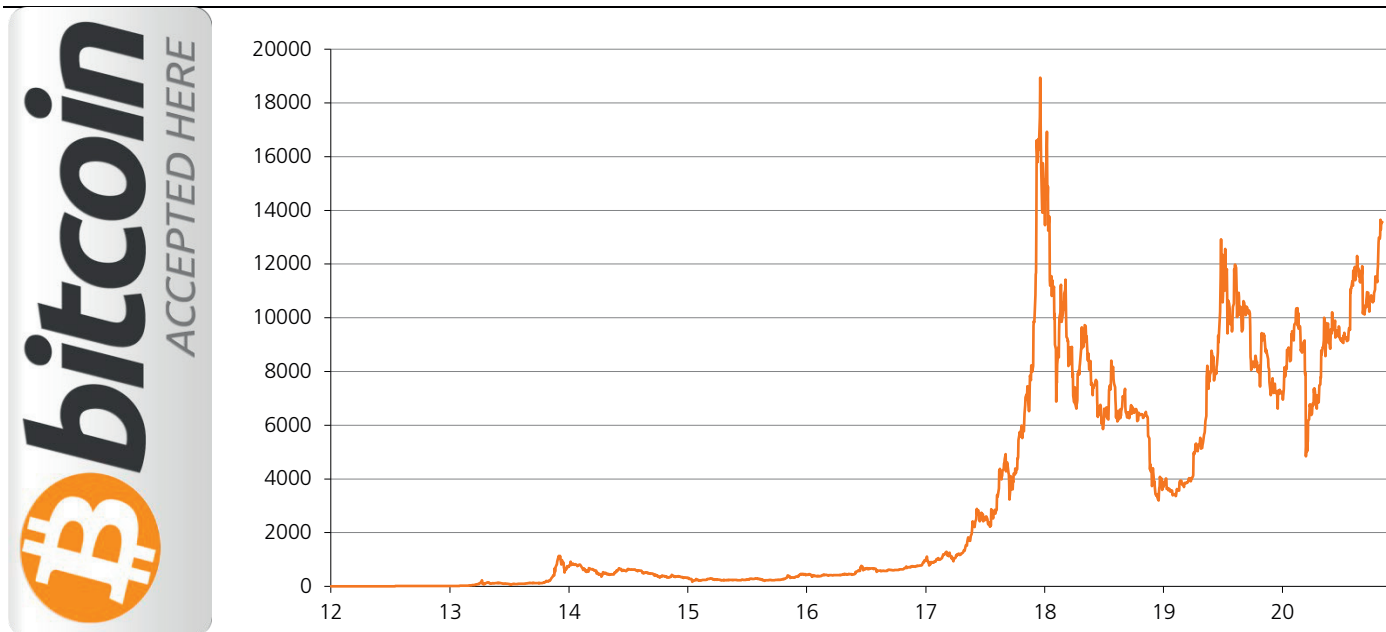
	Gold		Silver		Platinum		Palladium	
I. Actual	1628.0		20.7		747.6		1992.6	
II. Gliding averages								
10 days	1613.1		20.5		743.3		1958.6	
20 days	1615.6		20.6		741.7		1985.8	
50 days	1625.6		21.4		758.3		1958.8	
100 days	1623.1		20.2		759.8		1868.6	
200 days	1565.2		17.5		753.3		1903.2	
III. Estimates, mid 2020	2300		43		950		1860	
⁽¹⁾	41		110		27		-7	
<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>
	2080	2510	30.0	47.9	740	1170	1710	2070
⁽¹⁾	28	54	45	132	-1	56	-14	4
V. Annual averages								
2017	1116		15		844		760	
2018	1072		13		743		863	
2019	1235		14		770		1350	

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

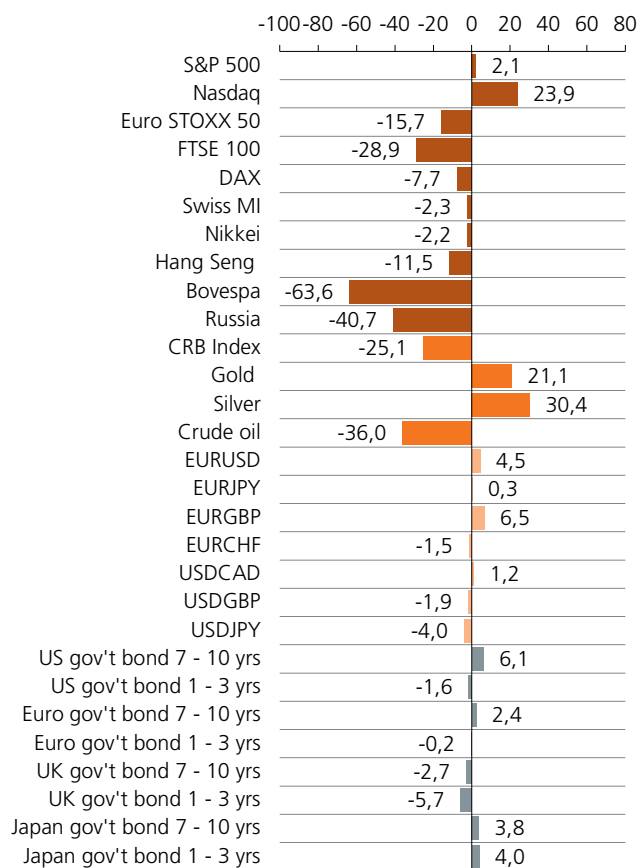
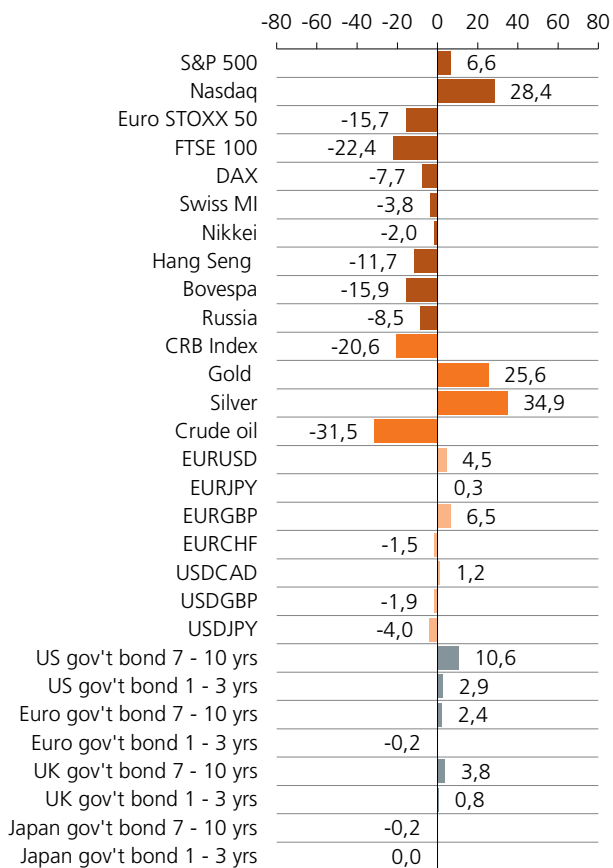


Source: Refinitiv; graph by Degussa.

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
5 November 2020	For In Fire Gold Is Tested
22 October 2020	The Policy of Inflating Everything, Not Only The Price Of Gold
8 October 2020	President Trump Is Good For Gold, Or Isn't He?
24 September 2020	Get Physical With Gold
10 September 2020	The Inflation Threat And The Case For Gold
27 August 2020	We Need Sound Money To Regain and Defend Our Liberties
13 August 2020	Gold And Silver Prices Are Set To Trend Even Higher
30 July 2020	The Big Short In Official Currencies
16 July 2020	"World Gold Price" Hits A New Record
2 July 2020	Some Things You Need To Know About Money
4 June 2020	Gold in Times of Economic Crisis and Social Revolution
20 May 2020	First the Money Supply Shock, Then the Inflation Shock
7 May 2020	Be Aware of What Inflation Really Is
23 April 2020	The Undesirable Effects of the Corona-Virus Relief Package
9 April 2020	The Boom And Bust Theory That Does Not Crash
26 March 2020	With Mega Bail Outs, Governments Are The Big Winners
12 March 2020	The Truth About Money – Past, Present, Future
27 February 2020	Inflation Policy And Its Supporters
13 February 2020	Gold-ETFs Versus Physical Gold: Difference Matters
30 January 2020	Do Not Think The Era Of Boom And Bust Has Ended
23 January 2020	Bull Markets, No Bubble Markets: Gold And Silver In 2020
19 December 2019	The Inflation Sham
5 December 2019	Why the Feared Crash Keeps Us Waiting
21 November 2019	Asset Price Inflation and the Price of Gold
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
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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

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

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