

30 July 2020

Economics · Finance · Precious Metals

## 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
<b>I. In US-dollar</b>				
Gold	1.958.1	8.9	24.6	38.5
Silver	24.3	30.4	74.2	49.7
Platinum	948.0	16.4	31.3	10.3
Palladium	2.252.5	14.3	-4.2	48.5
<b>II. In euro</b>				
Gold	1.666.1	4.7	17.0	30.6
Silver	20.7	25.2	64.0	41.1
Platinum	806.6	11.9	23.4	3.6
Palladium	1.917.0	10.0	-10.0	39.9
<b>III. Gold price in other currencies</b>				
JPY	205.508.0	6.9	21.6	33.7
CNY	13.702.3	8.9	23.2	40.8
GBP	1.510.1	6.0	19.4	29.9
INR	146.265.1	1.9	23.6	50.3
RUB	141.407.7	11.2	14.8	57.2

Source: Refinitiv; calculations by Degussa.

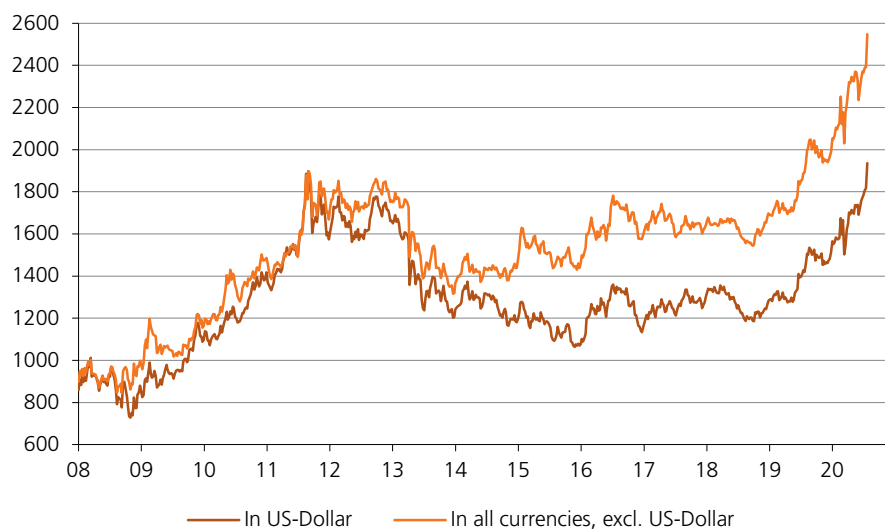
## OUR TOP ISSUES

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

## THE BIG SHORT IN OFFICIAL CURRENCIES

The price of gold has hit a new record high. At the middle of this week, the yellow metal reached a price of 1.960 USD/oz, which was well above the previous high of around 1.900 USD/oz, seen at the beginning of September 2011. Also, the price of silver has gone up substantially. Although still well below its all-time high of close to 50 USD/oz, as seen in April 2011, the price of silver, now trading close to 25 USD/oz, has nearly doubled since its depressed level seen in March 2020.

### 1 The "world gold price" reaches new highs, so does the US\$ gold price

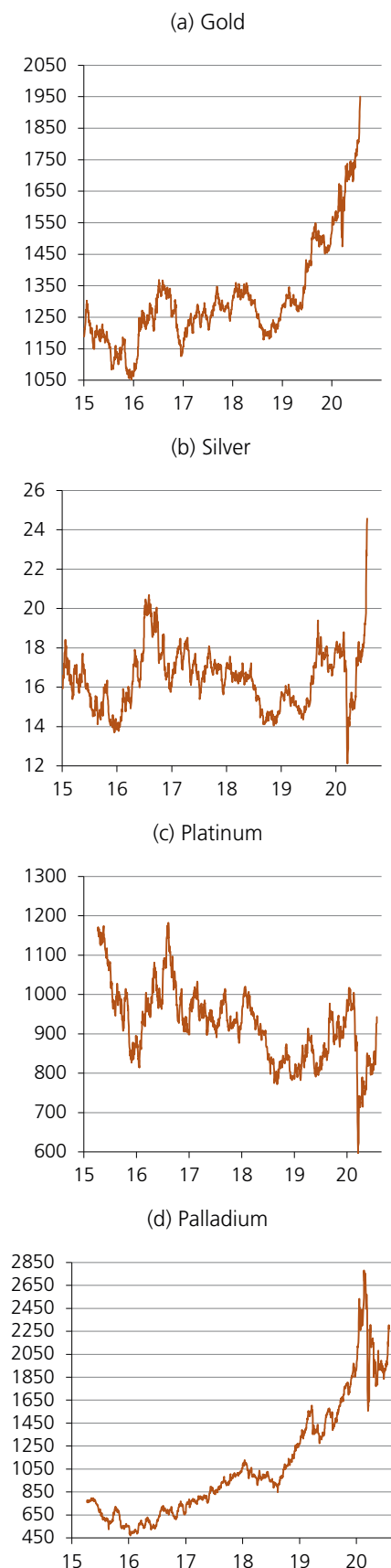


Source: Refinitiv; calculations by Degussa. Indexed (5 September 2011 = 1.900).

While you may well say that „the prices of gold and silver are on the rise“, it would actually be more meaningful to state that „the purchasing power of official currencies vis-à-vis gold and silver is on the decline“, because this is what a rising price of gold and silver in, say US dollar, euro, Chinese renminbi, Japanese yen or Swiss franc, stands for: The higher the prices of these precious metals, the lower the exchange value of official currencies.

It is not only rising prices of precious metals that indicate official currencies' loss of purchasing power. Basically, all other goods prices rise as well, most notably asset prices: The prices of stocks, bonds, housing, and real estate go up as well. This means that you can buy fewer and fewer stocks, bonds, and houses with a given official currencies unit. From this perspective, you can

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



Source: Refinitiv; graphs by Degussa.

rightfully conclude that a true and broad-based debasement is going on as far as the world's major official currencies are concerned.

Of course, this is not what most people would wish for, as they prefer to hold a kind of money that doesn't go down in value; money that actually preserves its purchasing power over time, that certainly does not depreciate over time. Unfortunately, however, central banks have been debasing their official currencies over the last decades. To make things worse, the monetary debasement has gathered speed due to the consequences of the politically dictated lockdown crisis.

Central banks around the world print up ever greater amounts of money to make up for lost incomes and profits, in particular in the United States of America and Europe. The rise in the quantity of money will, as an economic law, cause the exchange value of the money unit to go down – either in absolute terms or in relative terms (that is by keeping money prices at a higher level when compared to a situation in which the quantity of money had not been increased).

It is against this background that the rise of goods prices in terms of official currencies can be made sense of: Due to central banks' monetary policies for debasing the purchasing power of official currencies people increasingly seek to hold assets such as, say, stocks, and housing that are considered to be 'inflation protected'. The rising prices for these assets benefit those holding these assets, but they are expressive of a loss of wealth for those holding money.

In a world in which central banks have pushed market interest rates to zero, which also contributes to asset price inflation, there are good reasons for the savvy investor to keep his or her liquid means in gold and silver rather than stick to official currencies – be it in the form of cash or bank deposits. The value of gold and silver cannot be debased by central bank policies, and these precious metals do not carry a credit- or payment default risk.

That said, there is good reason to go short official currencies. In practical terms, this means that one is well advised to keep money holdings to a (transaction purpose related) minimum; to live up the harsh reality that official currencies cannot serve as store of value; and that holding physical gold and silver is one effective possibility to counter the effects stemming from central banks' inflationary policies which, and unfortunately so, are unlikely to end anytime soon.

No doubt, the prices of gold and silver have gone up quite significantly in a relatively short period. As a result, investors should not be too surprised if and when a setback kicks in. However, central banks' ongoing inflationary monetary policies provide strong support for the outlook that the underlying price trend for precious metal will continue to point upwards.

In particular for long-term oriented investors, gold and silver should be considered not only as liquid but also as risk-reducing and return-enhancing components for the asset portfolio; especially so in times of an unfolding big short in official currencies.

## PRECIOUS METALS PRICES

In US-Dollar per ounce

	Gold		Silver		Platinum		Palladium	
<b>I. Actual</b>	<b>1957.5</b>		<b>24.3</b>		<b>946.2</b>		<b>2252.3</b>	
II. Gliding averages								
10 days	1861.6		21.6		879.1		2119.6	
20 days	1826.9		20.0		854.8		2029.7	
50 days	1770.9		18.6		836.3		1971.0	
100 days	1713.8		16.7		789.8		1974.9	
200 days	1623.4		17.1		863.6		2040.0	
<b>III. Estimates, end 2020</b>	<b>2040</b>		<b>25</b>		<b>1256</b>		<b>1536</b>	
(1)	4		2		33		-32	
<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>
	1710	2230	19.8	28.8	1020	1492	1300	1772
(1)	-13	14	-18	19	8	58	-42	-21
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

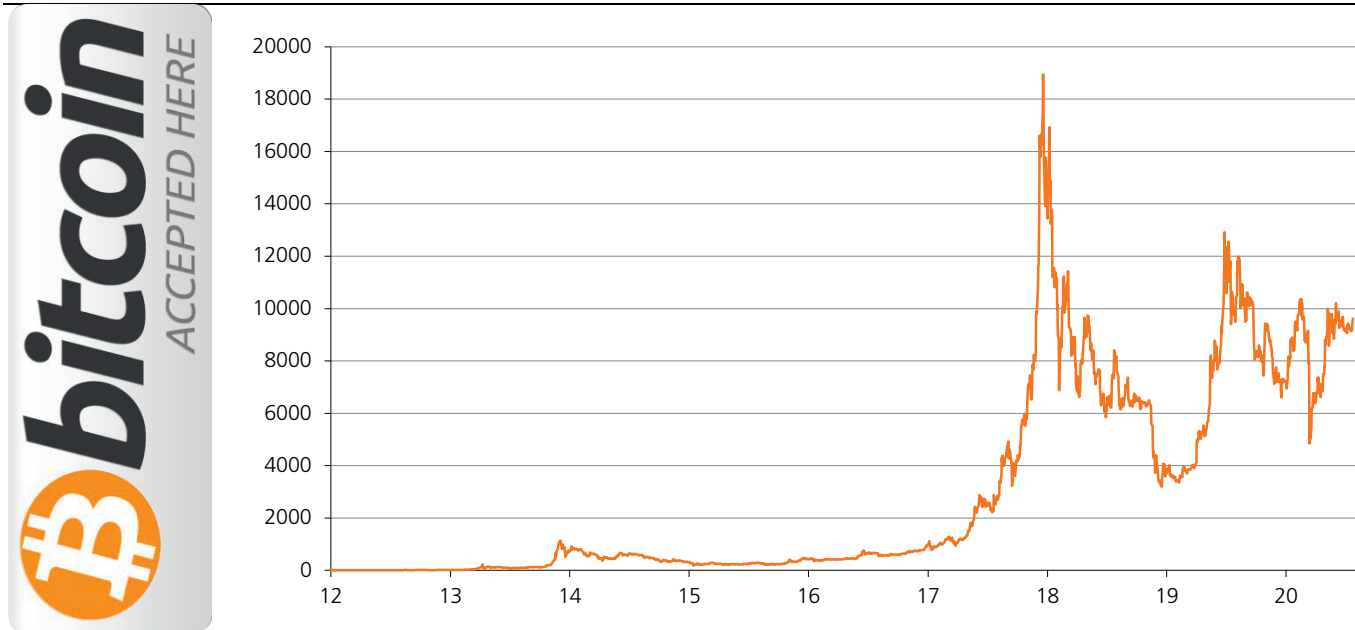
	Gold		Silver		Platinum		Palladium	
<b>I. Actual</b>	<b>1666.4</b>		<b>20.7</b>		<b>805.5</b>		<b>1917.4</b>	
II. Gliding averages								
10 days	1611.2		18.7		760.7		1834.1	
20 days	1598.3		17.5		747.6		1775.0	
50 days	1569.3		16.4		741.1		1746.5	
100 days	1545.3		15.0		711.7		1781.3	
200 days	1465.4		15.5		779.5		1842.5	
<b>III. Estimates, end 2020</b>	<b>1910</b>		<b>23</b>		<b>1180</b>		<b>1440</b>	
(1)	15		13		46		-25	
<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>
	1600	2090	18.6	27.1	950	1400	1220	1660
(1)	-4	25	-10	31	18	74	-36	-13
V. Annual averages								
2017	1116		15		844		760	
2018	1072		13		743		863	
2019	1235		14		770		1350	

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

(1) On the basis of actual prices.

# BITCOIN, PERFORMANCE OF VARIOUS ASSET CLASSES

## Bitcoin in US dollars

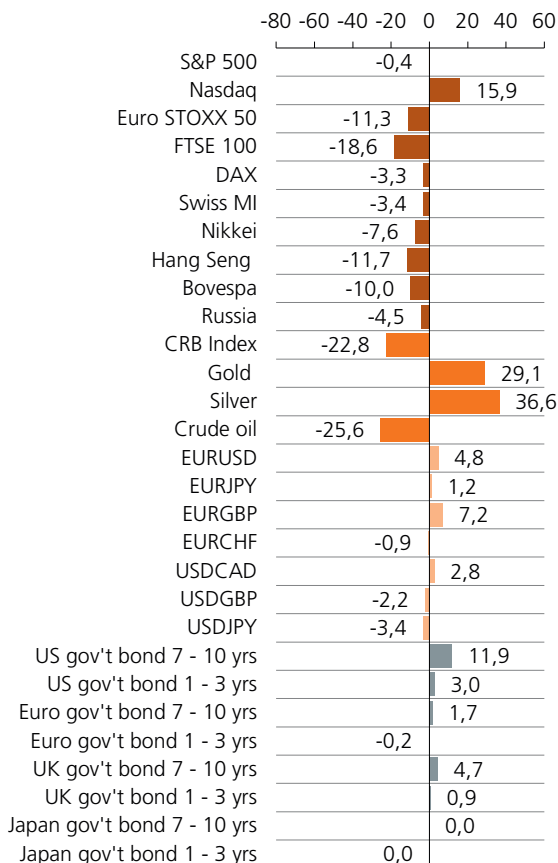
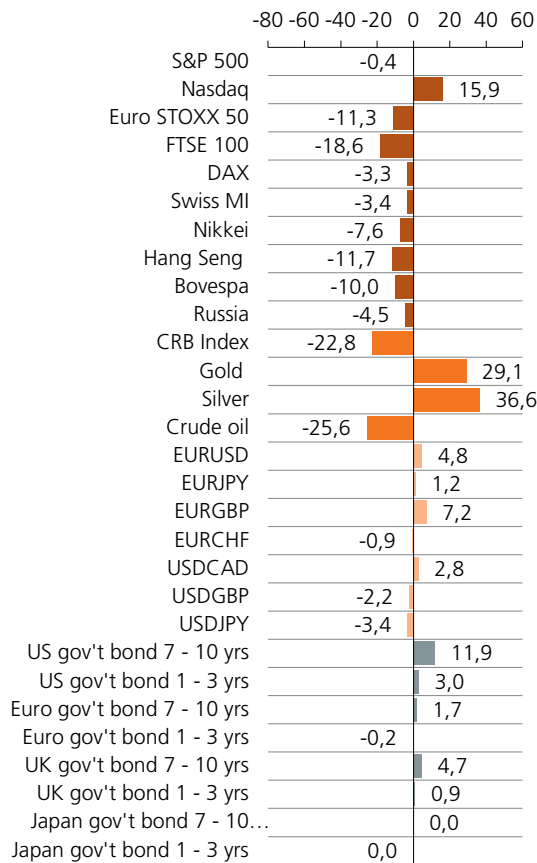


Source: Refinitiv; graph by Degussa.

## 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 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
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

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### Imprint

Marktreport is published every 14 days on Thursdays and is a free service provided by Degussa Goldhandel GmbH.

**Deadline for this edition:** 30 July 2020

**Publisher:** Degussa Goldhandel GmbH, Kettenhofweg 29, 60325 Frankfurt, Tel.: (069) 860068-0, Fax: (069) 860068-222

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**Degussa Market Report is available on the Internet at:** <http://www.degussa-goldhandel.de/marktreport/>

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GOLD UND SILBER.

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