

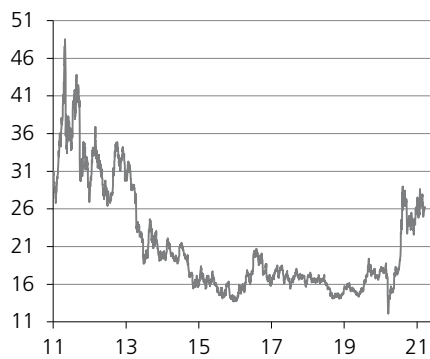
25 March 2021

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
I. In US-dollar				
Gold	1.733.2	1.9	-2.5	10.3
Silver	25.0	-0.6	10.7	79.2
Platinum	1.168.6	3.4	21.1	61.8
Palladium	2.632.1	12.6	10.9	11.9
II. In euro				
Gold	1.466.2	2.7	-1.5	2.9
Silver	21.2	0.2	11.7	67.7
Platinum	988.6	4.3	22.5	51.3
Palladium	2.227.0	13.5	12.1	4.5
III. Gold price in other currencies				
JPY	188.383.0	2.2	1.7	11.5
CNY	11.305.7	2.3	-3.2	1.6
GBP	1.266.3	3.1	-5.0	0.1
INR	125.813.7	1.9	-4.3	6.3
RUB	132.683.0	5.3	-2.2	7.7

Source: Refinitiv; calculations by Degussa.

OUR TOP ISSUES

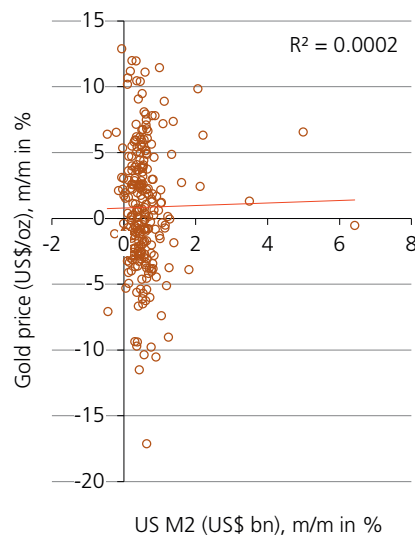
This is a short summary of our fortnightly **Degussa Marktreport**.

MONEY MATTERS FOR GOLD AND STOCK PRICES

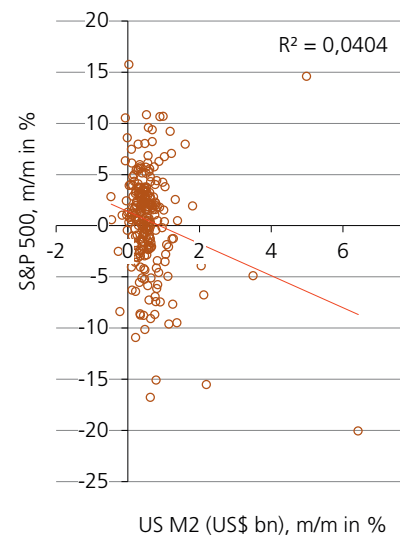
Sound economics tells us that an increase in the quantity of money tends to boost nominal magnitudes. This insight should encourage us to take a brief look at the relationship between the quantity of money and the price of gold and, beyond that, stock prices – especially as central banks around the world continue to pursue extremely expansionary (or better: inflationary) monetary policies with no end in sight.

1 Money and prices – the short-term view

(a) US money M2 and gold price (USD/oz), monthly changes in per cent



(b) US money M2 and S&P 500, monthly changes in per cent

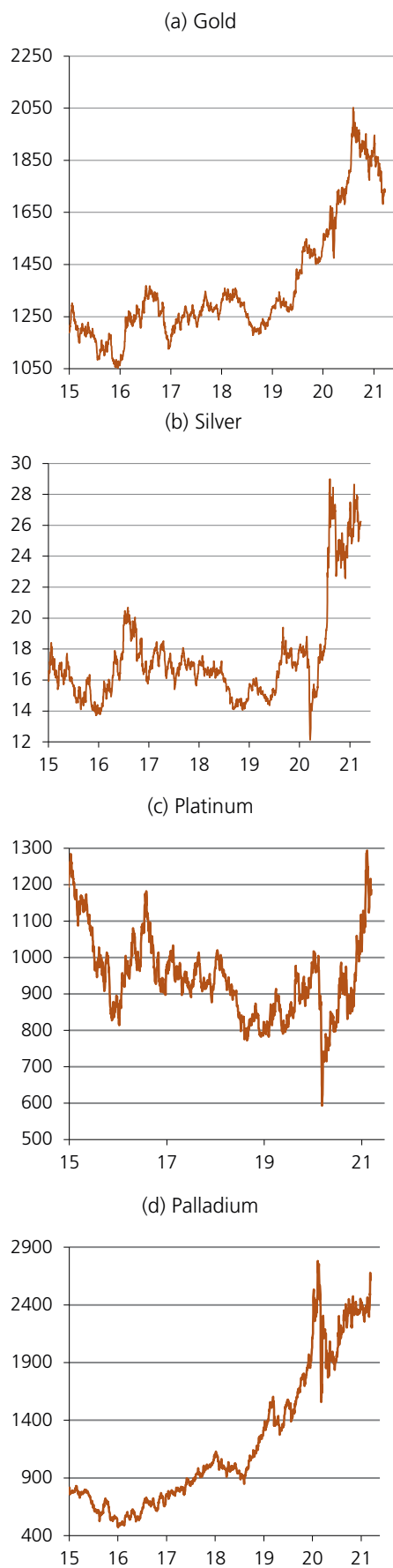


Source: Refinitiv; calculations Degussa. Period: Jan. '20 to Feb. '21. R2 is the coefficient of determination. Red line: regression line.

Let us start with a look at the short-term dynamics. Fig. 1a shows the monthly changes in the price of gold (USD/oz) in per cent on the vertical axis and the monthly changes in US money stock M2 in per cent on the horizontal axis for the period from January 2000 to February 2021. As the coefficient of determination R2 shows, there was actually no explanatory power of short-term changes in M2 for (simultaneous) changes in the price of gold.

Fig. 1b shows the same relationship between changes in M2 and changes in the S&P 500. Again, changes in the money supply did not explain anything as far as variations in stock prices were concerned; R2 is basically zero. (It should be noted here that the negatively sloping (red) regression line suggests that in

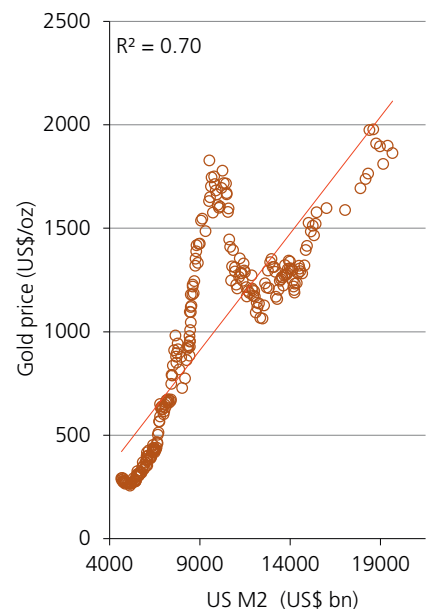
Precious metal prices (USD/oz) in the last 7 years



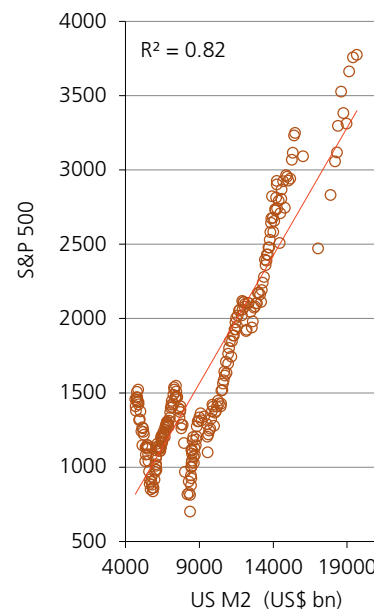
times of crisis the decline in stock prices and an expansion in the money supply went hand in hand.)

2 Money and prices – the long-term view

(a) US money M2 (USD bn) and gold price (USD/oz), levels



(b) US money M2 (USD bn) and S&P 500, levels



Source: Refinitiv; calculations Degussa. Period: Jan. '20 to Feb. '21. R2 is the coefficient of determination. Red line: regression line.

Let us now turn to the long-term relationships between the time series under review. Looking at Fig. 2a, we can see that the relationship between the absolute price of gold and the level of the money stock trended more or less on the same “wavelength”, and R2 indicates that the money stock could explain around 70 per cent of the variations in the gold price. The relationship between the money stock and stock prices was even closer, as shown in Fig. 2b with an R2 of 0.82.

Of course, we would not assume that the money stock is the only factor driving gold and stock prices. Certainly not! What we are insinuating, however, is that there are good reasons to embrace the idea that in the long-term the money stock can be expected to play a rather important role in the trajectory of gold and stock prices – even if such a relationship might not be discernible in the short-term, that is over months and quarters.

In view of the fact that central banks have adopted a “crisis policy mode” from which there is no easy and quick way out, sustained high money stock growth rates – resulting especially from the continued monetisation of government debt through the banking system – is a very likely scenario. That said, there should be continued strong price support for gold and stocks in what lies ahead. In other words: Price inflation fueled by monetary inflation is here to stay, and it may even gain momentum.

PRECIOUS METALS PRICES

In US-Dollar per ounce

	Gold		Silver		Platinum		Palladium	
I. Actual	1733.5		25.0		1169.2		2631.9	
II. Gliding averages								
10 days	1727.7		26.1		1193.5		2493.4	
20 days	1728.9		26.2		1189.9		2425.2	
50 days	1790.5		26.4		1169.8		2379.1	
100 days	1828.5		25.7		1081.7		2369.6	
200 days	1861.1		24.7		984.2		2275.5	
III. Estimates for end 2021	2448		47		1272		2710	
⁽¹⁾	41		88		9		3	
<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>
	1750	2684	23.0	55.1	950	1472	2280	2910
⁽¹⁾	1	55	-8	120	-19	26	-13	11
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

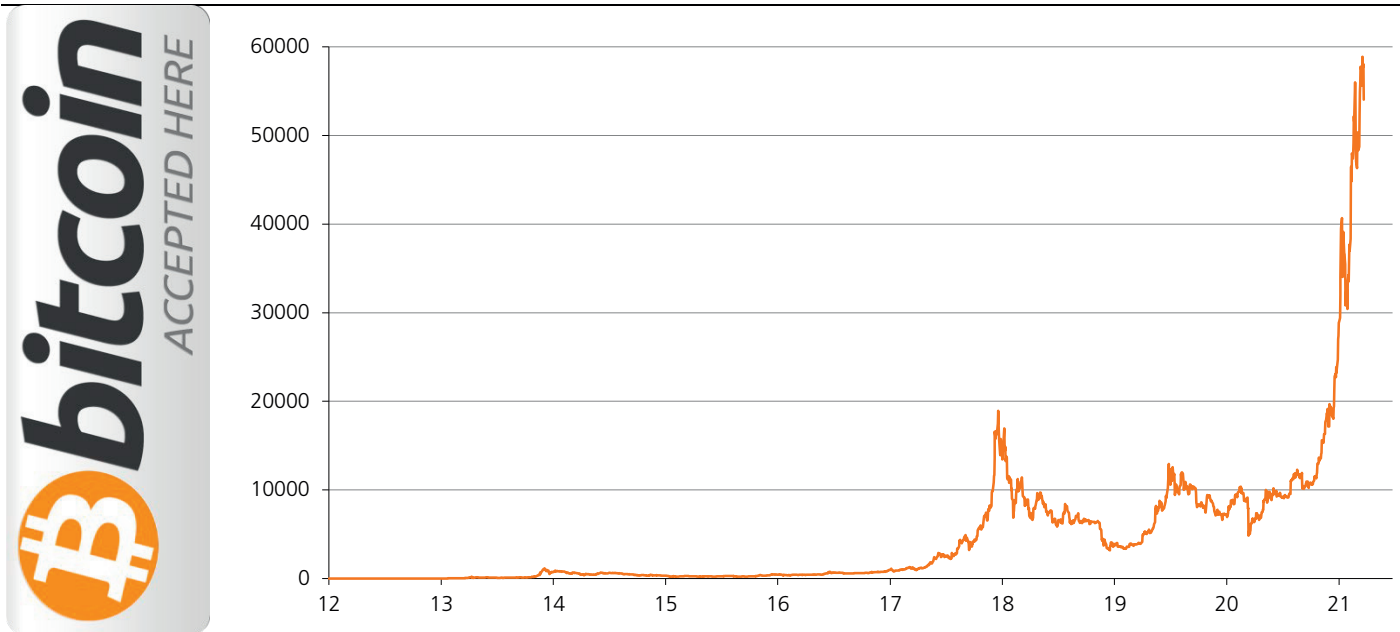
	Gold		Silver		Platinum		Palladium	
I. Actual	1466.9		21.2		989.4		2227.2	
II. Gliding averages								
10 days	1450.0		21.9		1001.7		2092.7	
20 days	1443.7		21.9		993.5		2025.5	
50 days	1485.4		21.9		970.7		1974.3	
100 days	1516.8		21.3		897.1		1966.1	
200 days	1570.0		20.8		828.5		1917.3	
III. Estimates for end 2021	2044		39		1062		2263	
⁽¹⁾	39		86		7		2	
<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>
	1470	2260	19.0	46.6	800	1240	1920	2450
⁽¹⁾	0	54	-10	120	-19	25	-14	10
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

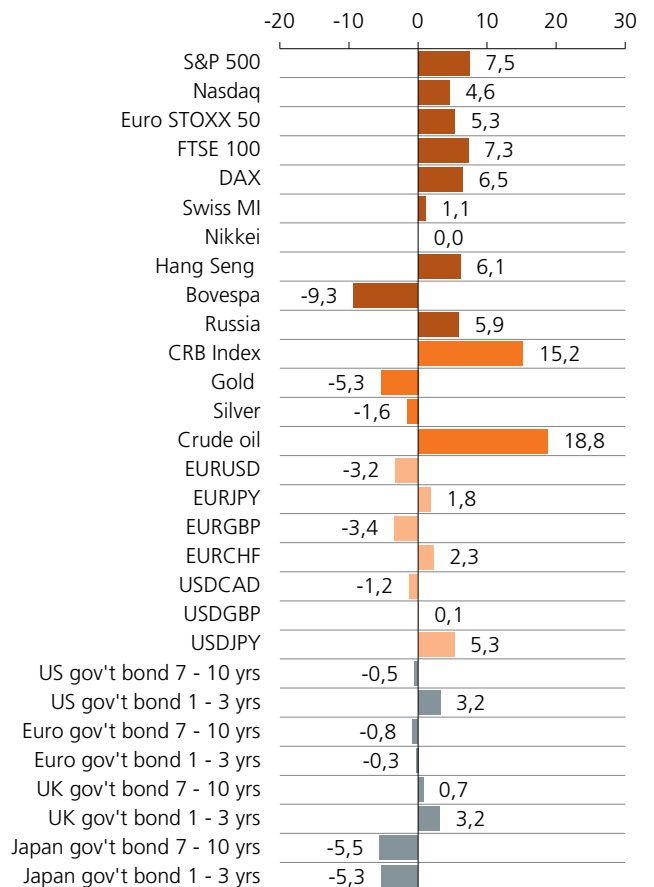
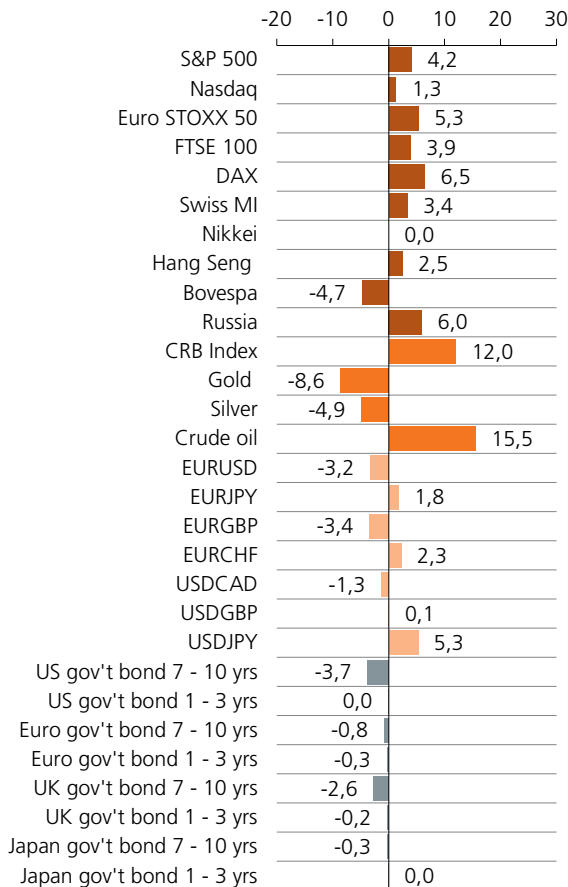


Source: Refinitiv; graph by Degussa.

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
25 March 2021	Money Matters For Gold And Silver Prices
11 March 2021	Interest Rates are to the Price of Gold What Gravity is to the Apple
25 February 2021	The Dangers Of Digital Central Bank Money
11 February 2021	Gold Is Not In Bubble Territory
28 January 2021	It Is High Time To Buy Gold And Silver
14 January 2021	The Great Gold And Silver Bull Market Is On
17 December 2020	Gold Against US-Dollar Risk. A Value Proposition
3 December 2020	Keep Your Cool – And Physical Gold And Silver
19 November 2020	It is Going to be Wild. Hold on to Physical Gold
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
29 August 2019	The Disaster of Negative Interest Rate Policy

The Degussa Marktreport (German) and the Degussa Market Report (English) are available at:
www.degussa-goldhandel.de/de/marktreport.aspx.

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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: 25 March 2021

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

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