

14 January 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 | 1.840.9 | -1.9 | -2.4 | 15.8 |
| Silver | 25.2 | -2.4 | 8.7 | 39.9 |
| Platinum | 1.099.7 | 7.4 | 23.8 | 15.0 |
| Palladium | 2.389.8 | 1.7 | 3.7 | 4.9 |
| II. In euro | | | | |
| Gold | 1.515.3 | -1.4 | -5.8 | 5.7 |
| Silver | 20.8 | -1.9 | 4.8 | 27.8 |
| Platinum | 905.2 | 8.0 | 19.2 | 4.8 |
| Palladium | 1.967.0 | 2.2 | -0.1 | -4.2 |
| III. Gold price in other currencies | | | | |
| JPY | 191.565.0 | -1.3 | -3.6 | 11.2 |
| CNY | 11.906.3 | -3.0 | -7.0 | 8.0 |
| GBP | 1.349.6 | -2.5 | -7.5 | 12.1 |
| INR | 134.546.6 | 1.9 | -3.0 | 18.3 |
| RUB | 136.066.3 | -2.0 | -6.9 | 33.8 |

Source: Refinitiv; calculations by Degussa.

OUR TOP ISSUE

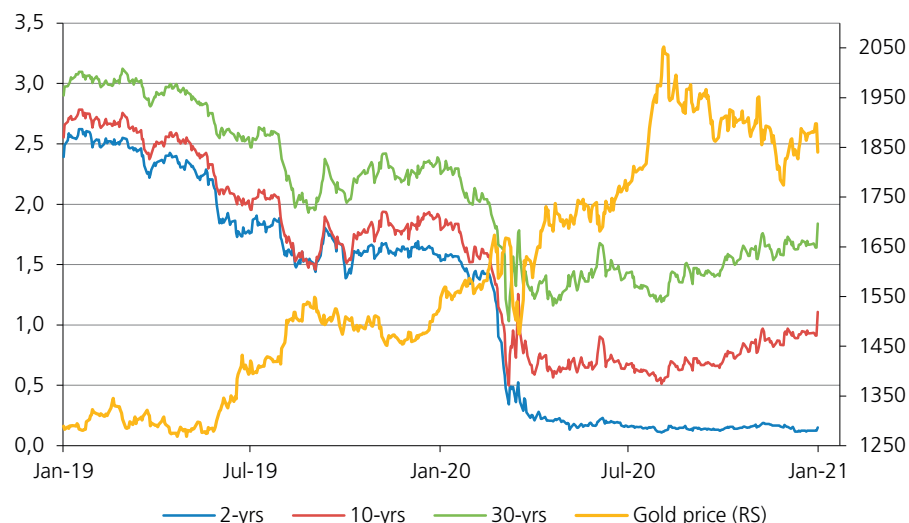
This is a short summary of our fortnightly **Degussa Marktreport**.

THE GREAT GOLD AND SILVER BULL MARKET IS ON

It appears that rising interest rates (although still at an extremely low level) have spooked precious metals investors in the last months. For instance, the 10-year yield of US Treasury bonds has moved upwards from around 0.5 per cent in August 2020 to around 1.14 per cent in the middle of January 2021. At least in the short-term, changes in market interest rates can have quite an impact on the price of gold and silver.

1 Gold price correction as a result of slightly higher interest rates

Selected US interest rates and the price of gold (USD/oz)

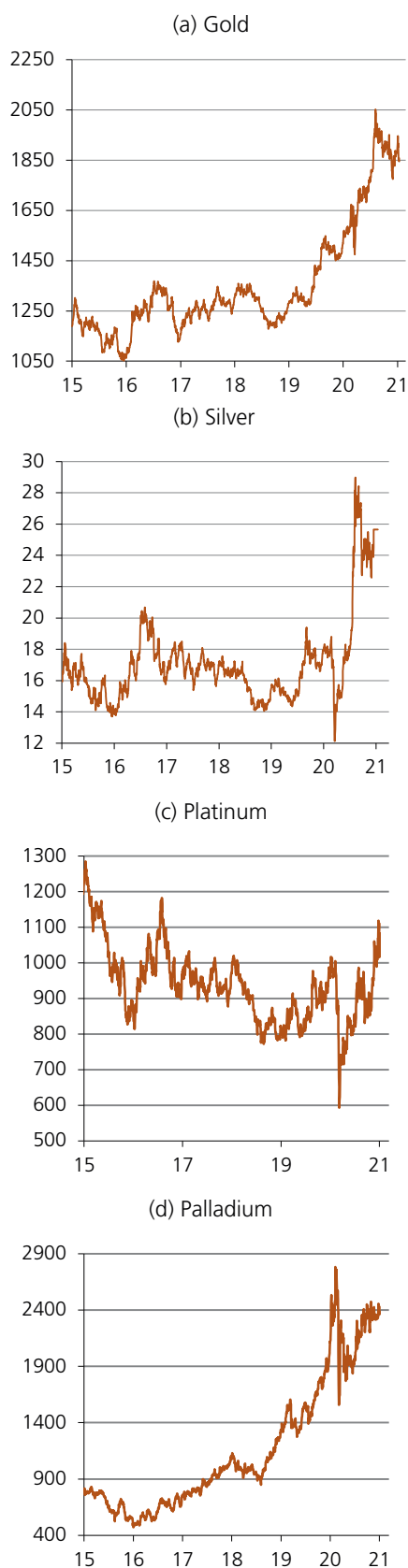


Source: Refinitiv; graph Degussa.

If and when interest rates go up (down), holding gold and silver becomes more (less) costly. In other words: Higher (lower) market interest rates mean higher (lower) opportunity cost for holding precious metals. (If you are holding gold and silver, and the interest rate is high, you forego yield income.) However, there are strong reasons that interest rate fluctuations will prove to be temporary for precious metals price developments.

In fact, a great number of factors could push gold and silver prices substantially higher in 2021; chances are that "the great gold and silver bull market is on". Most importantly, central banks keep churning out ever-greater amounts of money created out of thin air. While economic output has fallen sharply due to

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



Source: Refinitiv; graphs by Degussa.

the politically dictated lockdown crisis, central banks are creating an extraordinary “monetary overhang”, making too much money chasing too few goods.

It is the recipe for rising price inflation – be it in higher consumer and/or asset prices. And there is little chance that central banks will abandon their inflationary trickery anytime soon – and trickery it most certainly is! What has emerged is what economists refer to as “fiscal dominance”, which means that monetary policy is practically no longer politically independent (if it ever was), that central banks prioritise actions with which they cater to the needs of governments.

Gigantic public sector deficits are financed with newly created money, as central banks monetise outstanding debt and purchase newly created government bonds against issuing new money balances. Furthermore, monetary policymakers keep market interest rates at artificially low levels, as it is believed that exceptionally low interest rates would support production and employment gains.

A growing money supply, accompanied by extremely low and distorted market interest rates, may prop up debt-ridden, low-growth economies in the short-term. However, in the long-term, it will become obvious that the monetary stimulus is causing overconsumption (people spend more than they can afford) and malinvestment (firms operate production lines, which do not produce things people most desperately want.)

It may well be that the coronavirus health crisis can be overcome sooner than many people expect. But it cannot be ruled out that things will get worse – e.g. vaccines do not have the desired effects. Or that governments refuse to relinquish all the powers they grabbed and expanded in the course of the coronavirus crisis – and given political programmes such as “The Great Reset”, the “Great Transformation”, the “New World Order” this is a real danger.

The important point is that the unbacked paper money system has a dynamic of its own. Global debt has reached a level where it is no longer likely that central banks will allow interest rates to rise for the foreseeable future, and central banks will continue to finance government spending sprees willingly. Taken together, it does not take much to realise that the purchasing power of the US-dollar, euro and other currencies will be further debased in what lays ahead.

It is against this backdrop that we remain bullish on precious metals. We believe (and of course acknowledge the uncertainty that surrounds such a statement) that the price of gold could reach 2.450 USD/oz towards the end of 2021 (based on current prices, a 32% gain); the silver price could go up to 47 USD/oz (+87%); the price of platinum may increase to 1.280 USD/oz (+17%), and the price of palladium may well hit 2.710 USD/oz (+14%).

PRECIOUS METALS PRICES

In US-Dollar per ounce

| | Gold | | Silver | | Platinum | | Palladium | |
|------------------------------------|---------------|-------------|-------------|-------------|---------------|-------------|---------------|-------------|
| I. Actual | 1841.0 | | 25.2 | | 1100.5 | | 2390.3 | |
| II. Gliding averages | | | | | | | | |
| 10 days | 1890.8 | | 26.3 | | 1078.5 | | 2393.2 | |
| 20 days | 1884.9 | | 26.1 | | 1051.0 | | 2362.4 | |
| 50 days | 1865.7 | | 24.9 | | 997.8 | | 2361.9 | |
| 100 days | 1890.1 | | 25.0 | | 945.2 | | 2336.0 | |
| 200 days | 1842.7 | | 22.2 | | 891.1 | | 2172.6 | |
| III. Estimates for end 2021 | 2448 | | 47 | | 1272 | | 2710 | |
| ⁽¹⁾ | 33 | | 87 | | 16 | | 13 | |
| <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⁾ | -5 | 46 | -9 | 119 | -14 | 34 | -5 | 22 |
| 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

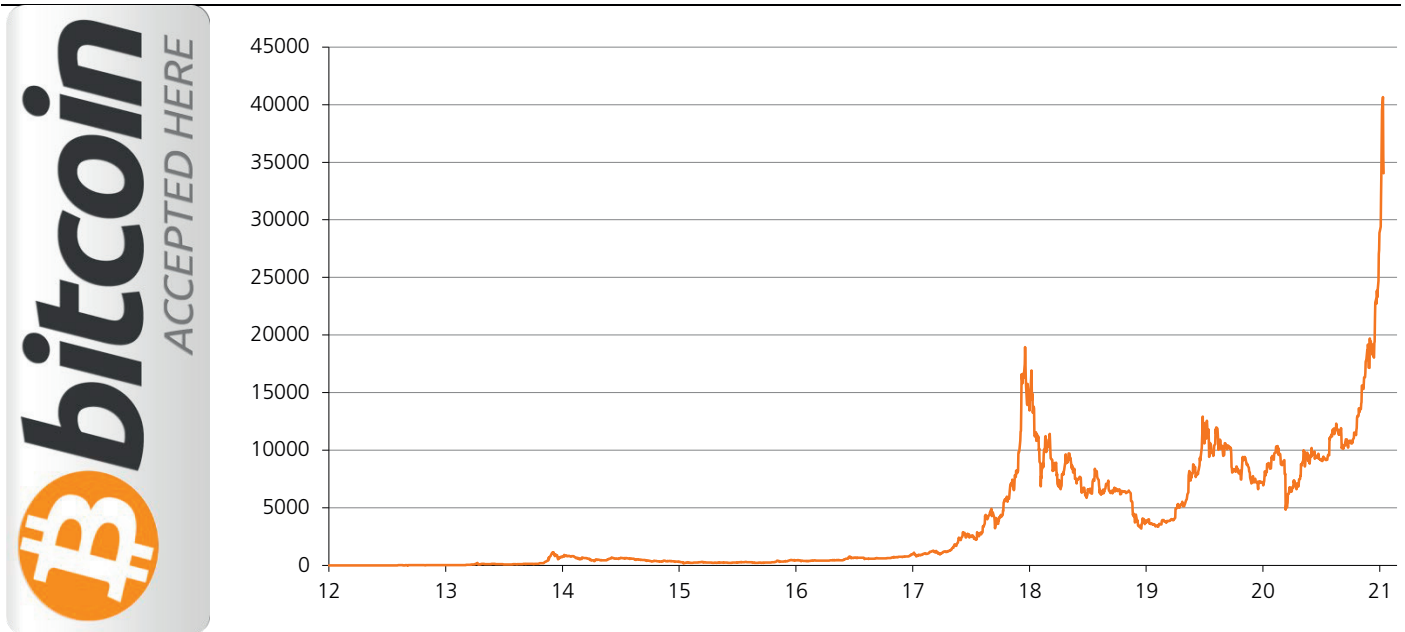
| | Gold | | Silver | | Platinum | | Palladium | |
|------------------------------------|---------------|-------------|-------------|-------------|--------------|-------------|---------------|-------------|
| I. Actual | 1515.7 | | 20.8 | | 906.1 | | 1968.0 | |
| II. Gliding averages | | | | | | | | |
| 10 days | 1546.2 | | 21.5 | | 881.9 | | 1957.0 | |
| 20 days | 1542.1 | | 21.4 | | 859.8 | | 1932.8 | |
| 50 days | 1546.4 | | 20.6 | | 826.4 | | 1957.9 | |
| 100 days | 1585.8 | | 21.0 | | 792.0 | | 1959.5 | |
| 200 days | 1588.4 | | 19.0 | | 766.7 | | 1870.5 | |
| III. Estimates for end 2021 | 2044 | | 39 | | 1062 | | 2263 | |
| ⁽¹⁾ | 35 | | 89 | | 17 | | 15 | |
| <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 | 10.0 | 46.6 | 800 | 1240 | 1920 | 2450 |
| ⁽¹⁾ | -3 | 49 | -52 | 124 | -12 | 37 | -2 | 24 |
| 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

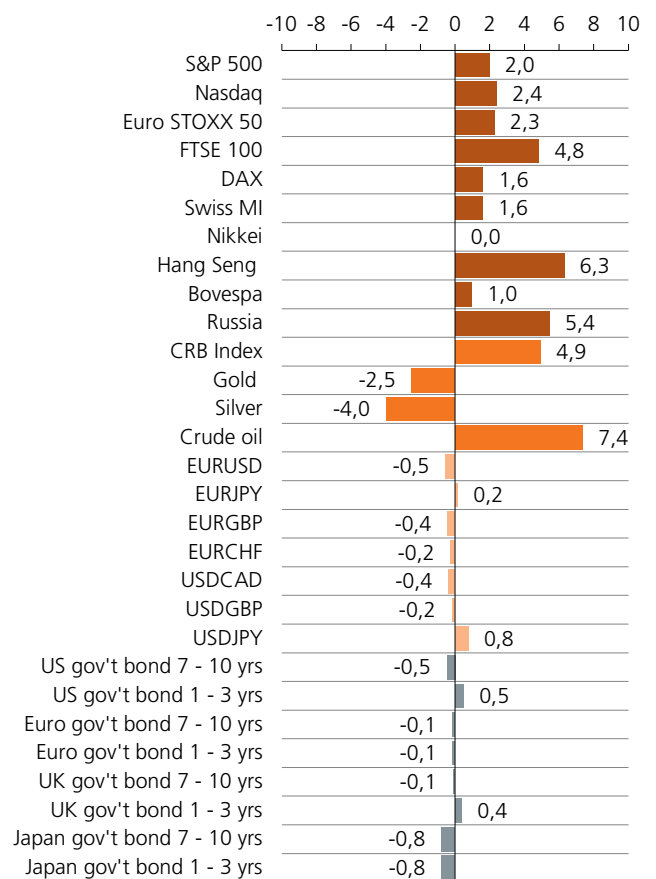
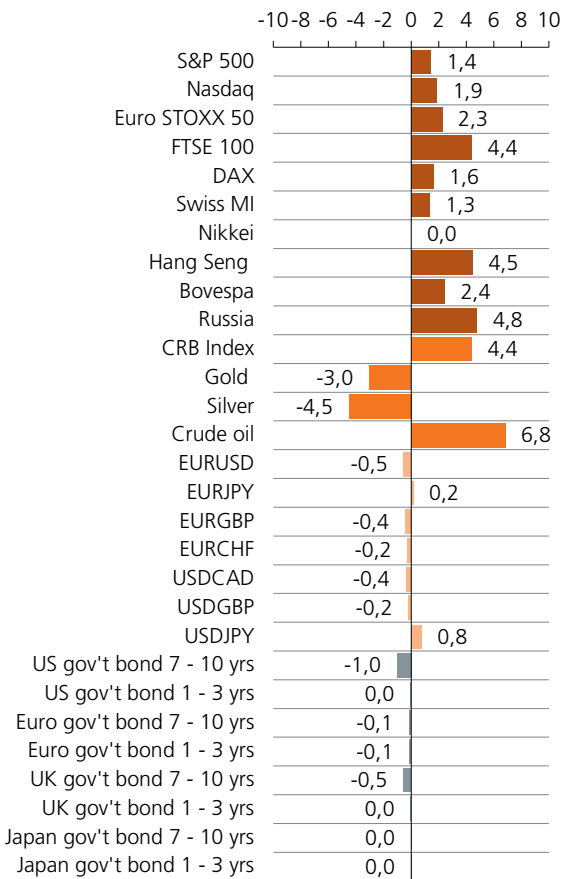


Source: Refinitiv; graph by Degussa.

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 |
|-------------------|--|
| 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 |
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