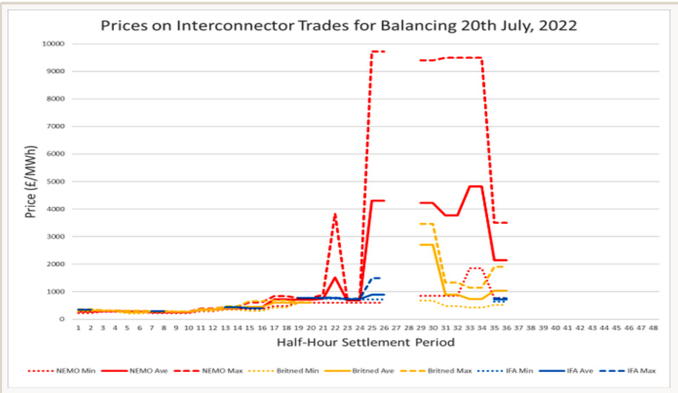
Degussa
GOLD AND SILVER.

Market Report

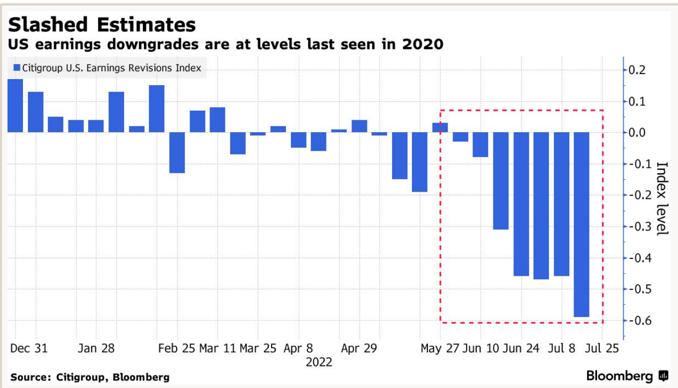
August, 2022

The trinity of western policy failure, depressing economies, and collapsing asset prices amidst emergency easing is creating a socioeconomic system nearing the singularity point. Years of underlying weak fundamentals, over indebtedness, and decadent social dissolution can no longer be ignored. Historically, at such a point either monetary stability or asset prices will cave. Real economic destruction is inevitable unless governments go full-on fascist with state controlled production eg: war economy. The Ukraine conflict may be insufficient to legitimize further state control, which may prompt the US to start looking for another war, such as with China.

Highlights



Britain's power grid faced a near blackout due to a surge in demand as Brits sought to escape the heatwave. Already high power prices temporarily jumped nearly 5000% after having to pull energy across the English Channel from Belgium in order to meet the heightened demand. Potentially increasing fluctuations and disruptions may portend a new normality where the "luxury" of energy security will remain only within the annals of history books. Source



Strategists are unable to reach a consensus over whether the plummet in earnings over Q2 is good or bad news for stocks. Some argue that sentiment has changed to where poor performance is taken as a positive, while others argue that earnings are still overly optimistic and stock prices still have plenty of room to fall. Ultimately, however, it's the Fed's decisions on rates, and the timing of their inevitable pivot, that will determine whether equities rise or fall. Source

Precious Metals & Commodities

While the long-term trend remains positive, the US recession as well the European economic difficulties may cause commodity prices to remain under pressure in the shorter-term. Gold and silver continue to display the strongest upside potential.

Indicator	Gold	Silver	Copper	Oil	Agriculture
Current	↗	↗	→	→	→
Outlook	↗	↗	→	↗	→
Trend	↗	↗	↗	↗	↗

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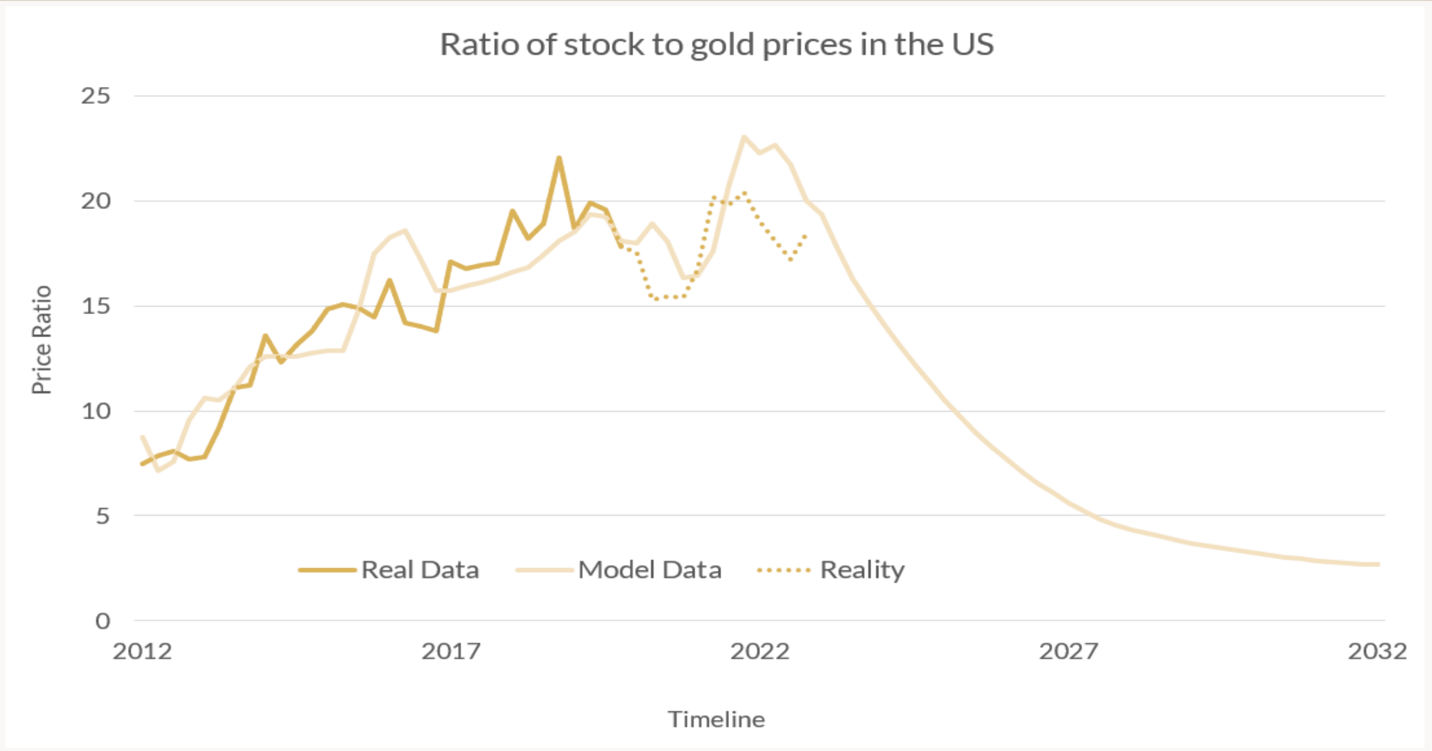
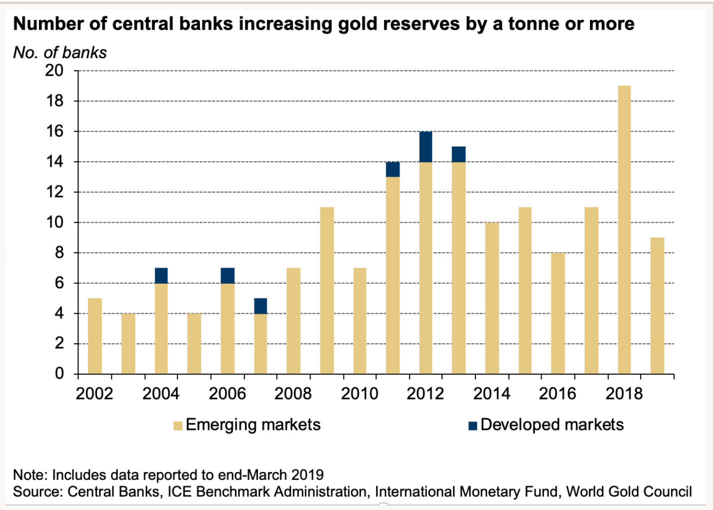
Prediction Model Gold or Stocks?

The current level of debt compared to production of the real economy is similar to the situation in the Germanic nations before the world wars in the 1910s, and the situation in France before the French Revolution in the 1790s.

Based on this data, the peak at which economic activity assets (such as equities) will outperform gold is around Q3 2022. From then on, the model predicts a outperformance of gold towards stocks (light line). When looking at the real data of stock to gold price (dotted line), we see the trend of gold outperforming stocks already began early in 2022. Whether we will experience another countermove or not is currently difficult to predict, but the long term trend for higher gold performance remains clear.



Gold Feature



The debt crisis bubble we are currently in has, particularly in Western nations, reached the sovereign level. While inflation at the right level can mitigate the overwhelming sovereign debt, too high inflation adversely affects the bond market, making governmental debt less attractive to investors and thereby limiting the amount of funds with which governments can service maturing debt.

Inflation could be brought under control by crashing the stock market. As stock prices fall, money is moved out of equities and into the real economy, thereby facilitating economic growth. However, asset price inflation is important to governments as higher assets generate more tax income flows, given treasury receipts amount to around two-thirds of GDP.

Emerging markets may find increasing their gold holdings imperative to hedging against dollar exposure, while providing them with intrinsic value to be able to represent themselves in an increasingly polarized international community as well as acting as a stabilizing factor for their central banks. This increase in demand for physical gold would threaten the paper gold market, but would be a driver for increased physical gold prices.

Source