Degussa

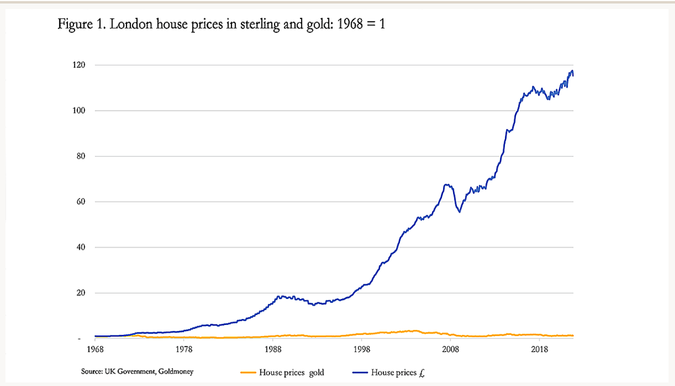
GOLD AND SILVER.

Market Report

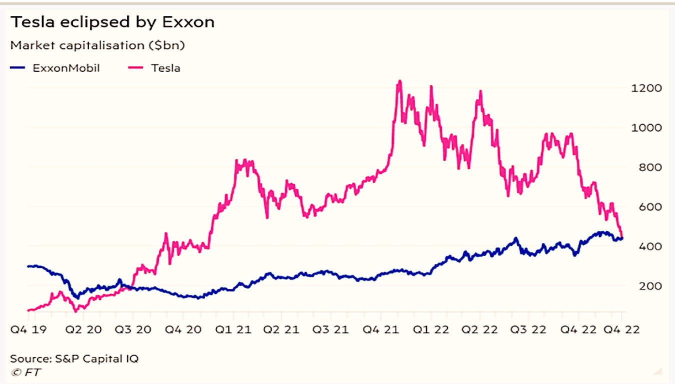
Januar, 2023

Official projections for 2023 include higher inflation, slower growth, and higher interest rates. Recessionary signs continue to loom, as global trade is expected to see further slow down. The Western price cap on Russian crude may provoke changes in the dollar, gold, and oil market, while China has come out as the much-speculated "mystery gold buyer". The latest crypto scandal provides an opportunity to gauge crypto as an investment option, while Saxo's Outrageous Predictions for 2023 are dissected and rated.

Highlights



Gold's importance as a store of value is visually demonstrated in the chart showing London's housing prices in fiat sterling and gold. Since house price tracking began, median prices have risen on average 115 times, whereas in gold they have only risen by 29% in 54 years, with some even seeing a fall in prices when measured in gold. Rather than regarding gold as a speculative investment, it should be viewed as a robust store of value, particularly during fiat purchasing power crises. Source



Exxon's shares traded with a total market cap of more than $439bn in the new year, passing up Tesla, who's market value is down over 60% from its October level. The dynamic shift is being viewed by analysts as the dawn of a wider market rotation from growth stocks to value-based alternatives, as well as from a more idealistic investing approach to one based more on fundamentals. It may also indicate a reality check on the viability of a oil-free solution. Source

Precious Metals & Commodities

Gold and silver continue to have solid fundamentals indicating an upward trend in the short and long-term. Oil prices are expected to rise, despite the price cap placed on Urals crude. Other commodities are expected to remain flat in the short-term, but with a positive long-term trend.

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

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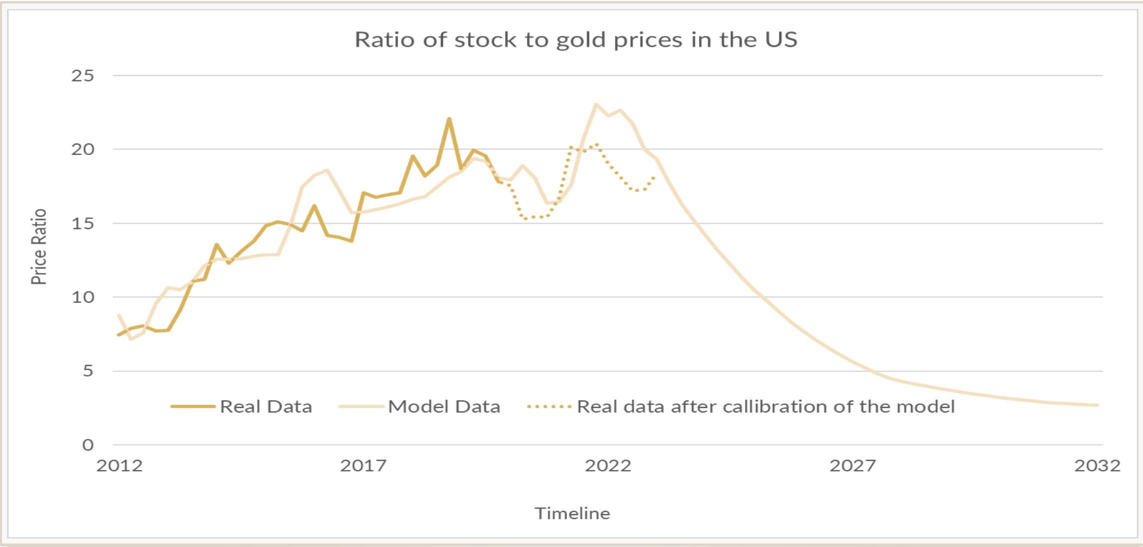
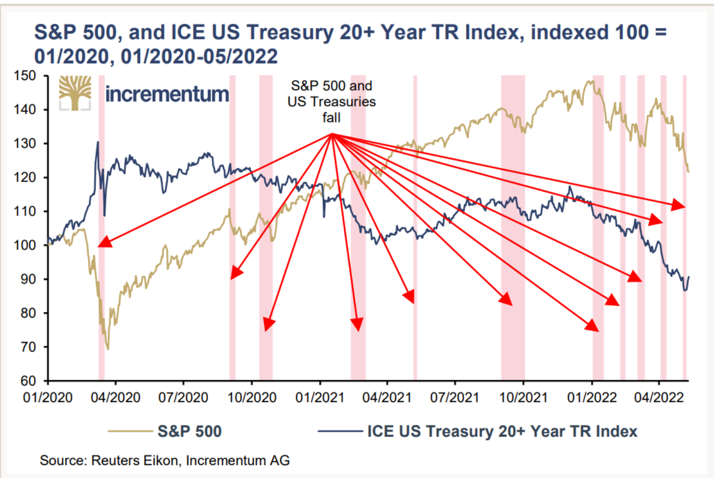
Prediction Model Gold or Stocks?

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



Gold battled headwinds from bond market yields in 2021, but has nevertheless shown increasing resilience to rising yields and a rallying US dollar. Since early 2022, signs had been pointing to a storm in the bond markets, which have never performed well in inflationary times, and the last year demonstrated that government bonds no longer live up to their antifragile reputation of bygone years. Furthermore, upon comparing the 10-year annualized real return of stocks (S&P 500 TR) and bonds (10-year US Treasuries) we can clearly see that the once-thought "universal truth" of stocks and bonds being negatively correlated was the exception rather than the rule.

In the US's 1970s inflationary period, the standard 60/40 portfolio suffered greatly. While nominal returns looked good optically, real returns were appalling. Equities and bonds were easily outperformed by commodities, demonstrating the vulnerability of a standard portfolio diversification in such an environment. For traditionally mixed portfolios, stocks and bonds falling simultaneously is pretty much an investor's worst nightmare.

Given the current fiscal, monetary, regulatory, and geopolitical measures adopted to combat inflation will only serve to discourage investment in future production, the market's current aversion to bonds with long maturities may become a longer-term trend. The consequent stagflation driven by these policies will not be weathered with a classic 60/40 portfolio. Gold, silver, and commodities' historical performance during stagflationary periods indicate a portfolio would be more robust with a higher weighting of these assets.
Source