Degussa
GOLD AND SILVER.

Markt report

March, 2023

Europe's energy crisis has improved, and may be nearing the end. However, 2022's aggressive rate hikes and QT by the Fed and ECB may cause a liquidity crisis in 2023, while the negative pressure this put on economic growth is likely yet to be fully realized. Hopes for global recovery is hinging on Chinese consumer sentiment, however, it will likely prove helpful primarily to China's domestic recovery. An exposé on the Nordstream sabotage has generated little interest in Western media, but may become problematic to the NATO alliance if proven true.

Highlights

The different stages of human sentiment associated with the stages of a market bubble is demonstrated in the "Stages of a Bubble" chart. By overlaying this chart with the monthly S&P 500, one could posit that the highs of early 2022 align with the "New Paradigm" peak. The current shift in the narrative as to the state of the US economy (from hard landing, to soft landing, to no recession at all) would place us in the "Return to 'normal'" phase, indicating that we have yet to experience the full collapse that comes when a bubble finally pops.

Mainland Chinese companies listed in Switzerland
(As of Feb. 8, 2023)

	Amount raised *(In millions of dollars)*	Listing date	Most recent trading recorded
Jiangsu Eastern Shenghong	718	Dec. 28, 2022	None so far
Gotion High-Tech	685	July 28	Sept. 16, 2022
Sunwoda Electronic	440	Nov. 14	Jan. 9, 2023
GEM	381	July 28	Dec. 15, 2022
Ningbo Shanshan	319	July 28	None so far
Lepu Medical Technology (Beijing)	224	Sept. 21	Nov. 2, 2022
Keda Industrial Group	173	July 28	Aug. 3, 2022
Hangzhou GreatStar Industrial	155	Nov. 15	None so far
Joincare Pharmaceutical Group Industry	92	Sept. 26	Jan. 30, 2023

Source: Company filings, SIX Swiss Exchange

Since mid-2022, nine Chinese companies have been listed on the Swiss stock exchange. According to the SIX Swiss Exchange this increase in new listings demonstrates that Chinese companies are interested in raiding capital and improving their visibility in Switzerland with the aim of expanding into Europe. Over 20 additional companies are reported to have announced plans to seek listings in Switzerland, indicating an acceleration in this trend.

Precious Metals & Commodities

Commodities should continue flat in the short to mid-term while maintaining an upward trend. Oil, gold, and silver are expected to continue rising due to a tremulous global economy and volatile Western markets.

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

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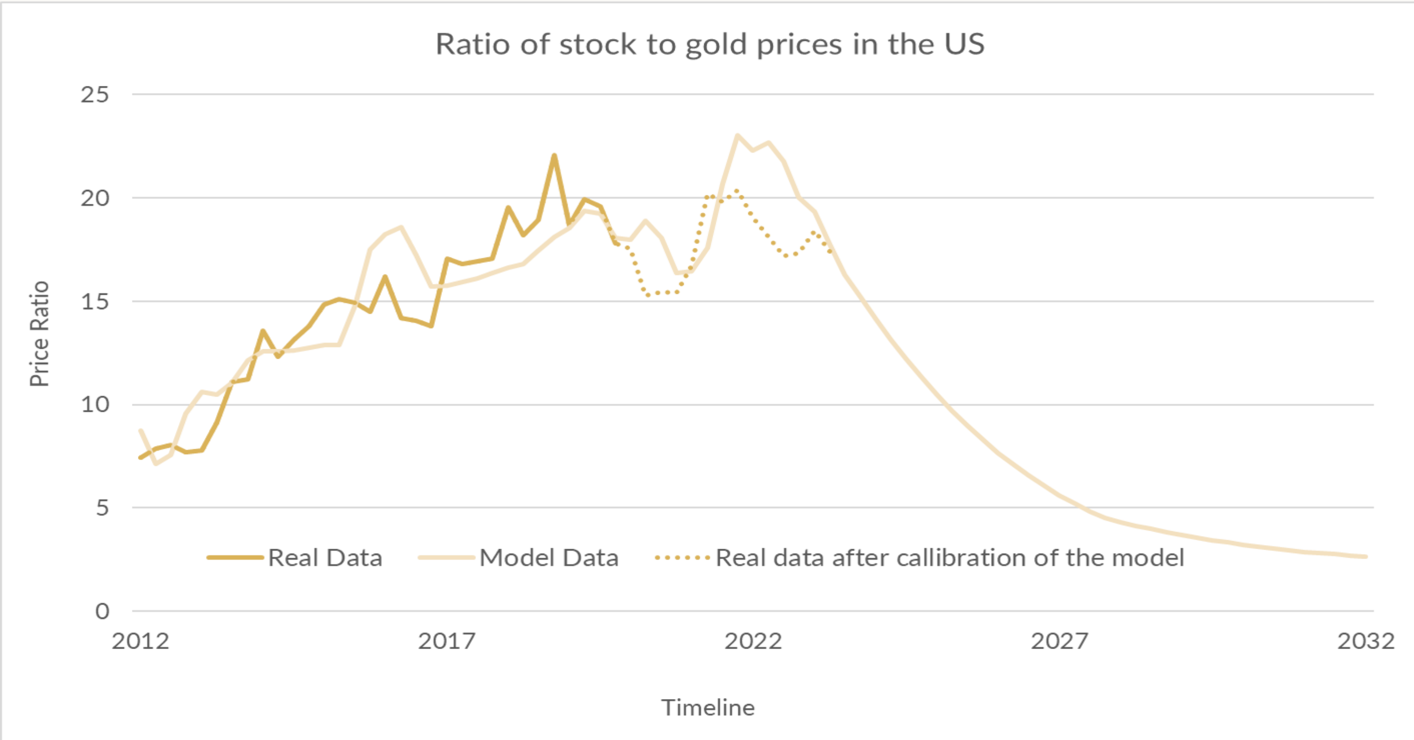
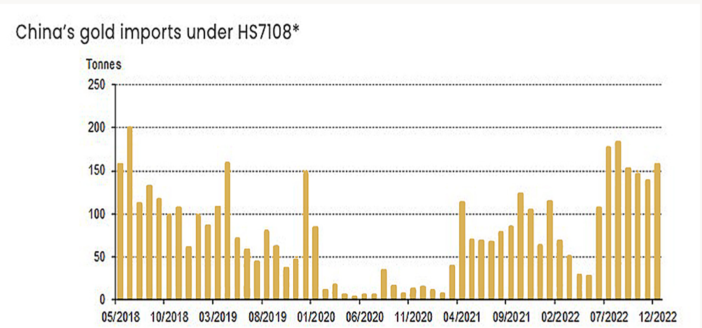
Prediction Model Gold or Stocks?

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



Source: China Customs, World Gold Council

*This is the latest data available from the China Customs data release schedule.

According to the World Gold Council, global gold demand grew by 18% to 4,741 tons in 2022, the highest demand in 11 years. Chinese gold imports in 2022 were recorded to be 1,343 tons of gold; the highest import since 2018. Total gold imports in 2022 then soared 64% compared to 2021.

Zero-Covid policies and lockdowns during the first half of 2022 suppressed Chinese gold demand, causing gold imports to fall. However, as restrictions eased, the price of gold increased to a multi-year high, boosting imports over the second half of the year. Official purchases by the PBOC resumed in November, adding 15 tonnes to its gold reserves, which now comprise 3.7% of China's total reserves, and its economic recovery is helping to drive a rebound in the gold market.

There is always some discrepancy between China's official reported holdings and those that are estimated using various measures, which usually hold estimations far exceeding those officially declared. Part of this is due to the fact that only non-monetary gold imports (ie private sector purchases) into China are publicly disclosed, therefore any estimation of the PBoC's gold reserves based on known imports would be inherently flawed. China's true holdings become much more relevant on a global scale, and particularly given that China is actively reducing their USD exposure, will be a tailwind for gold in the upcoming years.