



REPORT ON THE GLOBAL PRECIOUS METALS MARKET FOR MAY 2018

| | Gold | Silver | Platinum | Palladium |
|----------------------|------------|------------|------------|------------|
| Highest price USD/oz | 1,326.30 | 16.86 | 931.70 | 1,013.70 |
| Date | 11-05-2018 | 11-05-2018 | 11-05-2018 | 11-05-2018 |
| Lowest price USD/oz | 1,281.90 | 16.0552 | 877.05 | 943.42 |
| Date | 21-05-2018 | 01-05-2018 | 21-05-2018 | 01-05-2018 |

1 June 2018, Prague – If we had talked about the low difference of maximum and minimum prices of the precious metals observed in the last month, the volatility in May was even lower. Neither of metals exceeded the limit of 10%. The biggest difference of prices was recorded by palladium with 7.4%, then platinum with 6%, silver with 5%, while the gold with 3.5% saw the smallest price dispersion.

All the metals happened to coincide **while reaching their upper limits in one day, namely on 11 May 2018**. It was a lingering **market response to the political uncertainty after denouncing the Iran Nuclear Deal on the part of the USA**. Donald Trump disregards his European allies who were coming to the White House in the past months literally begging him not to denounce the Deal. **The cooperation of Europe and USA has dropped to its lowest level in the last 75 years**. Not only did Trump denounce the Iran Nuclear Deal while threatening the stability in the Middle East so necessary for Europe but **he also announced the introduction of duties on imports of European steel and aluminium**.

The support for the European Union has perhaps never been so needy. The thing is that the Italian economy is under serious threat. Its debt is at 130% of GDP, Italy's banks are still teetering on the precipice with the announcement of eurosceptic government coming. The crisis around Italy is similar to the crisis in Greece. Though, it is much worse since it is the third largest economy in the European Union. **The euro immediately responded to the bad news from Italy by weakening against the dollar. The price of gold in EUR has climbed to its maximum for the last 10 months** while exceeding the limit of EUR 1,130 per ounce troy.

The Italian economy is not the only one having problems. Argentina is also in serious trouble. Its National Bank raised interest rates to 40% and inflation rates near 25%. The inflation in Turkey is growing at a double-digit rate, the Turkish Lira has fallen by more than 20% and there have been talks about a new reform. Coincidentally, we are commemorating the 65th anniversary of the monetary reform in Czechoslovakia. The average devaluation of currency was 10:1, i.e. the population obtained in average 100 crowns per 1,000 crowns. The monetary reform is the way how to devalue savings of population and deceptively simply to solve the economic problems. **It is clear that the issuing state can do with the value of paper money whatever it wants**. In the current globalised economy, problems of Turkey and Argentina are transmitted to other developing markets. Since the beginning of the year, investors that own shares and bonds of these states have lost more than 10%.

Though, debts are the biggest threat of today's world. Individual states are indebted and so are the firms and households. The sum of all debts in the USA is \$70 trillion. Only the federal government owes \$21 trillion a year and Goldman Sachs predicted that in 2028 this rate would be \$2 trillion a year. The average American household owes 140,000 dollars, which is twice as much of their income. Czech households owe record amounts as well. At this moment, the total debt levels are approaching 2.2 trillion CZK. These are mainly mortgages; however, consumer debts are also growing. Nobody can believe that all the debts will be repaid.



The current growth in living standards is driven by debt, and it cannot continue indefinitely. The debt bubble has to burst eventually with the system falling down under a weight of debt.

“Worse” times may be alleviated by sufficient reserves. Money as a store of value has not worked too. **We recommend our clients to save a part of their financial reserves into precious metals, especially gold, which has been a store of value over centuries.** In mid-June, there is going to be the US Federal Reserve meeting where the US interest rates may be increased again. In the past, this event was preceded by a short-time decrease of gold price. This moment is being used by investors for buying precious metals.



Libor Křapka

Chief Executive Officer of IBIS InGold®, a. s.



IBISInGold



ibisingold



@IBIS_InGold



IBIS InGold