



REPORT ON THE GLOBAL PRECIOUS METALS MARKET FOR THE 2ND QUARTER 2020

2 July 2020, Prague – The “cessation of life” within the measures taken against the spread of coronavirus was aimed at preventing the health catastrophe that the world observed in March in Lombardy. This was partially successful. We’ve been spared the footage of collapsing health professionals and overcrowded hospitals. **However, the measures in place accelerated the onset of the economic crisis** while sending the economy into recession worldwide.

Gold is profiting from the onset of recession. In practice, its unique feature is shown here, namely the protection of property in times of crisis. **Central banks** try to prevent an economic catastrophe while **printing money** day and night. They proudly declare that their supply of money is unlimited. **The FED poured \$ 2 trillion** into the US economy **during April**. The **ECB** buys bonds worth **€ 750 billion**. **Deficits of all countries will be record-breaking**. The US expects a budget deficit of \$ 4 trillion, which is twice the size of the economy against any year since World War II.

So far, however, it has only one effect – **stock and bond prices are out of reality** on the stock exchange.

When the world economy faces the worst recession in the last 100 years, stock indices are only 10% below their historical highs. And this is not the only paradox we are witnessing. Tesla’s market value, which produces 400,000 cars per year and has never achieved any profit, is greater than the market value of Toyota, which is the world’s largest car manufacturer and produces 10 million cars a year. We continue with another completely incomprehensible example. The value of the so-called “carmaker” Nikola, which has not produced a single car yet, has exceeded the market value of the traditional and well-established Ford. Third and finally, the stock market shares of Hertz skyrocketed by 800% after the private investors invested in it on the Robin Hood platform.

It is good that such paradoxes do not occur with precious metals. Every sharp increase precedes a worse fall, and the faster the growth, the more painful the decline. **Gold** strengthened **reasonably throughout the second quarter**, and **analysts see its price** at at least **\$ 2,000** at the end of the year. Some, such as **Bank of America**, predict its price at **USD 3,000**, and for example, economist **Charles Morris**, based on mathematical calculations, expects a gold price to exceed **USD 7,000 in 2030**. The main reasons for such a strengthening include mainly the expected high inflation as well as low interest rates, which are always the accelerator of the growth of the price of gold.

The gold price may also be driven by a scandal that came to light in China in May. **Kingold used as a guarantee for their loans** false-gold copper ingots which were given as gold. It is estimated that the volume of such ingots can be up to 80 tons. Kingold was set in China as a model for a progressive company that combines private capital with state capital. They invested in many industries. However, they were not able to pay back their astronomical loans, and when the guarantees received for loans in the form of gold alloys were to be settled, it turned out that not all that sparkles is gold. By being a company which is incorporated into the Chinese state system of private companies, it will be interesting to see how the state will stand up to its commitments. If it is necessary to cover up this scandal by settling the commitments in order to deal with the domino effect and the fall of other firms, it will be necessary to replace the copper with real gold and **a one-off purchase of 80 tons may be a strong accelerator for the gold price**.

As gold prices rise, similar attempts will occur more often, and therefore, it is important to ensure that gold is purchased **from verified sources with a direct link to the refinery and the alloys should be easily verifiable**, for example by means of Veriscan offered by the PAMP Refinery. This is the only guarantee that **the value of your savings will be safe**.



Unfortunately, the outlook for the world economy is not favourable for the next period. There is virtually no experience with a similar situation and estimates vary. But one thing is certain, **by investing in precious metals, and gold in particular, you won't make a mistake.**

Precious metals in the 2nd quarter 2020

	Gold	Silver	Platinum	Palladium
Highest price USD/oz	1,786.70	18.39	869.50	2,393.00
Date	30-06-2020	01-06-2020	20-05-2020	01-04-2020
Lowest price USD/oz	1,571.50	13.8225	703.50	1,764.50
Date	01-04-2020	01-04-2020	01-04-2020	06-05-2020

Gold – The price of gold rose throughout the quarter while strengthening by more than 13%. In dollars, it is approaching the limit of 1,800 USD per ounce, where it was last in 2011. By exceeding this level, gold will open its way to its historic maximum of \$1,900 per ounce. This value is not so far away for gold. The rise in prices is driven by inflation fears, low interest rates and high demand from central banks and private investors that want to diversify their savings as long as the time is right.

Silver – Historical experience of seasonal price fluctuations, when the price rises during the summer months and peaks in mid-September, speaks in favour of the rise in the price of silver. This year, it is difficult to say whether the development will be repeated to the same extent. The recovery of industrial production after the outage in the first quarter may support the price of silver. The increase in the price of silver can also be driven by raising the price of gold.

Platinum – European carmakers expect sales to fall by 25%, mainly due to weak demand caused by economic uncertainty. South African mining companies have not stopped platinum mining yet, and therefore, its supplies to the market are smooth. Supply-side sufficiency in relation to weakening demand does not contribute to price growth. That is why the expected stagnation of the price or even further weakening is expected.

Palladium – Thanks to the drop in production in the automotive industry, the price of palladium is below \$2,000 per ounce. The positive news for palladium was the decision of the Chinese authorities to increase the rating of hybrid vehicles manufactured in China. The carmakers are thus forced to produce more of these new hybrids in order to compensate for the negative rating of combustion engines. The Chinese automotive industry consumed 26% of global demand for palladium last year, so the positive decisions made in favour of hybrid cars are also positive for the price of palladium. However, the price is being pushed down by the currently weak demand for new cars all over the world.



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