



REPORT ON THE GLOBAL PRECIOUS METALS MARKET FOR THE 3RD QUARTER 2020

2 October 2020, Prague – the third quarter has set **a new record in the history of gold**. The price of gold on August 6, 2020 reached the level of **USD 2,074** per troy ounce, thus exceeding its historical maximum from 2011 by more than USD 150. Until then, gold has been continuously **strengthening for 9 weeks**, which is **the longest period of continuous growth in the last 10 years**. But all in one are convinced that **this is just the beginning**. The real and steady rise in the price of gold is still ahead of us.

The situation in the economy keeps on reminding of the first and last voyage of the legendary Titanic, when the first passengers were drowning in the lower deck after hitting the glacier, but some people were still dancing on the upper decks. So far, no one realizes what **the shut-down of the economy in March** and the now **emerging second wave of the pandemic will do to the global economy**. The year-on-year decline in car sales is around 30%. Carmakers are the driving force not only of the European economy. Even though they work normally, they produce to the warehouse. Everyone is starting to save money and no one is buying new cars. Commercial real estate prices fell as well. Real estate agencies themselves are now talking about a 20% drop in office and commercial space prices. Commercial real estate prices are always the most price sensitive. Residential properties always react with a delay. The reason is clear. Leaving the office is much easier than leaving the apartment or house where we live. However, the decline in the prices of all real estate is already getting closer. The period for deferring mortgage payments will end in the autumn, and only then will it become clear how many households are unable to repay mortgages and banks will be forced to dispose of these properties.

One of the most important signals to institutional and retail investors that makes it clear that gold is the right asset to shine in the years to come is **Warren Buffett's investment in one of the biggest gold miners, Barrick Gold**. In late August, his investment fund announced to buy shares in this company **for more than half a billion dollars**. It is a sign that Warren Buffett, who was rather pessimistic about gold, **has changed his strategy and considers gold an important part of his portfolio**. It is also important to realize that the Omaha Fortune Teller, as Warren Buffett is sometimes nicknamed, did not buy paper gold, but de facto physical gold. Gold miners do not benefit from paper gold trades, but only **from the growth in demand for physical gold**. At the same time, the American investor got rid of important shares in American banks, namely JP Morgan, Wells Fargo, while completely selling his share in the investment bank Goldman Sachs.

There has been a change both to the behaviour of private investors and of central banks and institutions. The US Federal Reserve (**FED**) announced a **change in its policy** and outlook on inflation and unemployment in the third quarter. Previously, they mainly monitored the level of inflation and only subsequently unemployment. Now, they announced that **the most important indicator will be the level of unemployment** on the basis of which they will adjust their policy accordingly. In other words, they said **that higher inflation is no problem** when employment is preserved. This is another argument for owning gold because **gold has been a protector of value** since ancient times. It is clear that higher inflation is supposed to help reduce the huge debt which is now still rising in order to maintain the stability of the economy. Inflation can help the functioning of the economy to a reasonable degree. It makes companies and individuals spend, because money is still losing part of its value and it is not good to keep it in bank accounts. On the other hand, the rate of inflation can get out of control very quickly. One good example is Lebanon, formerly nicknamed East Switzerland, where inflation was almost non-existent last year and reached 25% this year. Another example is Turkey, where the demand for physical gold exceeds all records which is caused by the massive depreciation of the Turkish currency. President Erdogan is then forced to draw the attention of the population to something else, thus resorting to conflict not only with the traditional challenger Greece, but now he also engages in the Nagorno-Karabakh struggling with Russia, supported by Armenia, while Turkey is on Azerbaijan's side.



The US presidential election is the most important event by the end of the year. Not only the elections themselves, but rather the subsequent counting of votes and changes in results that can bring the votes sent by correspondence. This method of voting will be much more widely used today than in the past, and President Trump, who is now losing more than 10% to his opponent, has said that he would question these votes. This can bring chaos to the election of the head of state, with the strongest economy and the greatest political influence, and uncertainty may encourage further fanfare, which is already the order of the day in the United States.

That's why it is not just Warren Buffett who buys gold. **The demand for physical gold is still high and its possession may be the only security in an uncertain world that will help us protect our freedom and independence.**

Precious metals in the 3rd quarter 2020

	Gold	Silver	Platinum	Palladium
Highest price USD/oz	2,074.70	29.82	1,009.00	2,419.00
Date	06-08-2020	06-08-2020	10-08-2020	21-09-2020
Lowest price USD/oz	1,759.90	17.84	805.00	1,890.00
Date	01-07-2020	01-07-2020	02-07-2020	03-07-2020

Gold – in August, gold recorded its highest historical value. It weakened to USD 1,900 an ounce at the end of the quarter. Current prices are suitable for further purchases. Estimates of analysts regarding further price developments vary, but none of them speak of a price below USD 2,000 per troy ounce. Some estimates of gold prices in the next year are around USD 5,000.

Silver – the price of silver is still below expectations. It is far from its historical highs. The main obstacle to the growth of its price is mainly the fear of an economic downturn. Silver is, unlike gold, 50% industrial metal. Its price may rise sharply, but mainly due to speculation. Then it is necessary to react very quickly and sell the silver rather than hold it for a long time. Price volatility is dangerously high for this metal.

Platinum – the main driver of the platinum price is still the demand from the automotive industry. In the first half of this year, European carmakers reported a drop in sales in the amount of 48%. The overall decline for the first three quarters will be estimated at over 30%. Mines in South Africa are already mining under standard regimes, so deliveries to the market are smooth, which also does not contribute to price increases. Support is at the level of USD 800 per ounce, while the price drop is always expected after exceeding the limit of USD 950. In the long run, the development of hydrogen propulsion, where platinum plays an important role, is interesting for platinum.

Palladium – the price of palladium is also most affected by demand on the part of the automotive industry. This is very limited due to the onset of the crisis. An important market for palladium catalysts is the USA, where most gasoline engines are sold after China. The price of palladium was therefore negatively affected by a decree of the Governor of California, in which he announced that from 2035, new cars with combustion engines would not be able to be sold in the state. Another negative news is that a 15% drop in car sales is expected in the US next year. With a smooth delivery from miners in South Africa, this is the downward pressure on world palladium prices.



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