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# REPORT ON THE GLOBAL PRECIOUS METALS MARKET FOR THE 1ST QUARTER 2021

3 April 2021, Prague – In the first quarter of this year, we witnessed a correction in the price of gold. This was particularly striking in dollar prices, with gold being corrected from above 1,950 USD per troy ounce to a March low of 1,676 USD per troy ounce from the beginning of the quarter.

There are several reasons for this correction. At the beginning of January, gold rose to 1,950 USD/oz just before the **president´s inauguration**. There were fears that Trump would try to change the election results at the last minute and there would be riots. This was not the case and transferring of power went smoothly. The Democrats managed to get both chambers of the US Congress under control and the **situation calmed down**.

The continuing **successful vaccination** against COVID-19 **in the United States**, which now vaccinates even more than 3 million people a day, has also brought reassurance and hope, and thanks to that, life in the USA is slowly returning to its normal. The opening of the US economy also has a positive effect on the US dollar, which is strengthening against the euro and moves from around 1.22 USD/EUR to 1.17.

However, the biggest impact on the decline in the price of gold in the first quarter was due to **rising US bond yields**. At the end of March, ten-year bond yields reached 1.8%, which is the highest value in the last 14 months. The jump is really significant when we realize that until recently, yields were hovering around zero. However, German ten-year bonds still remain negative, namely at –0.3%. The main reason for such a difference is mainly the successful vaccination in the USA, and the associated faster opening of the US economy, while the whole of Europe is still constrained by restrictive measures and vaccination is very slow.

Investors are now turning to US bonds and find yields below 2% amazing. However, it is necessary to mention that gold gained almost 40% in 2019 and 2020. And it is a huge difference compared to 2%. Thus, gold is currently entitled to a **certain price correction, which, however, will not be too long**. The need to stir up the economy leads politicians to **release unprecedented amounts of money in order to support the economy**. The US has approved **$ 1.9 trillion** in subsidies. All developed countries expect high budget deficits. These steps are a source of growing concern about high inflation. The rapid and massive influx of money into the economy **will cause a rise in the price level** and subsequent inflation. That is why we are already experiencing a rise in commodity prices – up to around 50% and in some commodities even over 100%. We can also see the growth of transport costs, which jumped up to five times the usual prices. But it is only a matter of time before these initial costs are reflected in the final prices of food and products. In Europe, there are still concerns about stagflation in Europe (stagnation of the economy associated with high inflation, a situation similar to the development in the 1920s).

**The savings of companies and households** deposited in **bank accounts** reach **maximum volumes**. However, this is not a completely correct tactic at the moment. The rise in prices will devalue this money very quickly and its value will fall very quickly. It is a good idea to hold only a portion in the accounts to cover unexpected expenses or operating expenses, and it is advisable to invest in an asset that is profitable in the long run and the value of which has already been verified by history. One such asset is certainly investment gold. We are convinced that now is a good time to buy it, because its price is below its historical highs (as is the case with most other investment products), and its prospects are more than promising. German **Commerzbank predicts** that gold will exceed **2,000 USD** per ounce **this year**. Danish investment bank **Saxo Bank** even sees the price at **USD 2,200**. **Goldman Sachs**, the largest US investment bank, said that low interest rates and economic stimulus make **gold a suitable asset for the medium and long-term investor**.

We ourselves see that there is a growing shortage of **physical gold on the market**. Last year, this situation was marked by a production outage at Swiss refineries caused by operation restrictions due to quarantine reasons. Now, however, refineries are producing in a regime that is close to normal, however, the shortage of physical gold is still there. This is mainly due to the huge demand from Asia, especially from China and India. India itself buys almost 100 tons of physical gold per month. It is only a matter of time before the shortage of gold is reflected in its final prices and when its price goes up again… So when to buy than now, when the price is still relatively low and forecasts are more than optimistic?

## Precious metals in the 1st quarter 2021

| | Gold | Silver | Platinum | Palladium |
|---|---|---|---|---|
| **The highest price USD/oz** | 1,959.40 | 30.11 | 1,339.00 | 2,686.50 |
| **Date** | 06-01-2021 | 01-02-2021 | 15-02-2021 | 29-03-2021 |
| **The lowest price USD/oz** | 1,676.90 | 23.77 | 1,010.00 | 2,202.50 |
| **Date** | 08-03-2021 | 30-03-2021 | 11-01-2021 | 29-01-2021 |

**Gold** - In the first quarter, gold was mainly under the pressure from US bond yields. Some investors have turned away from paper gold to bonds. Analysts consider the price below 1,800 USD an ounce to be favourable for purchases and long-term holdings. The shortage of physical gold, its massive export to Asia, rising commodity prices and expected inflation will be the main accelerators of gold prices in the coming months. In the short term, the threshold of 1,765 USD per ounce, followed by 1,800 USD, is important. After overcoming these two levels, gold has an open path to the price of 2,000 USD/oz.

**Silver** – Silver continues to follow the development of the price of gold, so far both metals continue their symbiosis. The price of silver could be driven by the growth of demand for solar panels from the USA announcing subsidies for this segment. However, the signals so far are not strong enough for silver to get out of the price range of around 25 USD per ounce. An attempt to manipulate the price from the Reddit chat forum, which only moved silver for a very short time, was also unsuccessful. It is important to exceed 30 USD per ounce while keeping the silver at least five trading days above that level.

**Platinum** – The price of platinum is being influenced mainly by miners with their statements about planned downtime. They are doing well in the short term. With the recovery of the economy, oil refineries, which use platinum as a catalyst in the production process, are also beginning to talk about the price of platinum. The oil market is also partially manipulated by miners. Due to the demand for a higher oil price, the production in oil refineries is artificially dampened, and therefore, the demand for platinum is not so high either. It is followed by the fall in car production. In the long run, we see the price of platinum below 1,100 USD per ounce. The only hope for an increase in its price is substituting palladium with platinum in catalysts and possibly inflation, which will raise the prices of all commodities.

**Palladium** – The price of palladium is influenced by a story similar to platinum – the manipulation of the price of miners, especially the Russian Nornickel. Sibanye-Stillwater has published a report on the production of a new generation of catalysts for petrol cars in which palladium is supplemented with platinum. This type of catalyst should be installed in new cars in 2025 and it would mean reducing the demand for palladium by more than 10%. Not only this progress in the production of catalysts, but also the reduced demand for cars speak against the rise in the price of palladium.

Those interested in investing in silver, platinum and palladium must always be aware that these metals, in their physical form, are subject to VAT, which fundamentally devalues this investment.

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