



## REPORT ON THE GLOBAL PRECIOUS METALS MARKET FOR THE 4TH QUARTER 2021

January 10, 2022, Prague – In the last quarter of this year, gold gained 3.5%. So it has started to make up for the losses it has accumulated since the beginning of the year, and also thanks to this strengthening in the last quarter, gold, comparing spot prices from the first day of January 2021 to the last day of December 2021, gained only 3.7%. It has been the worst year for gold since 2015. However, if we include the previous two years, gold has gained 39% since 2019, making it one of the best-performing financial instruments available on the market for ordinary citizens.

Some analysts perceive the decline in gold as a problem. Unfortunately, they don't realise that the **price of gold had already risen sharply in 2019 and then even more in 2020**, and gold has responded to **inflation expectations** with this rise rather than waiting for inflation to actually arrive. It is logical that after rising over 40% in two years, gold has now taken time to rest. Rather, it is surprising that the price correction was so small.

In the fourth quarter, the **November meeting of the US FED**, where the FED indirectly **acknowledged the problem with rising inflation** while announcing that it was beginning to **limit its bond purchases and would start raising interest rates as early as 2022** in at least three steps, had a major impact on the further development of the price of precious metals. The increase in interest rates on the US dollar is certainly not positive for precious metals, and for gold in particular. However, gold reacted surprisingly with growth because the market judged that the reaction to inflation by the US FED was not sufficient and that inflation would rise much faster than interest rates, which will result in further depreciation of money.

**Analysts of investment banks** – Goldman Sachs or Wells Fargo – just on the basis of the unconvincing reaction of the US FED, **estimate an increase in the price** of gold up to USD 2,000 per ounce, i.e. at least a 10% increase in price, for this year. An ounce of investment gold could thus be sold for an amount exceeding EUR 2,000.

It is also important to take into account **real interest rates**, i.e. interest rates announced by the central bank reduced by inflation. These rates are negative **across global economies**. In the US, it is over -6%, in the Eurozone, over -5%. It is good to watch real interest rates very closely. If they move in negative values, **they de facto show us by how much the purchasing power of the money** lying in the current accounts of banks **decreases annually**. At the moment, due to the inability to spend, but also due to the caution of citizens and companies, the balances in commercial bank accounts are historically the highest and are rapidly and massively losing their value. **Gold** has fallen by **almost 4%** in US dollars over the past year, the **money in the accounts has lost 6%**, so it was clearly worth buying gold last year as well.

2022 will be marked by the hopefully ending battle against the Covid-19 disease epidemic, although insidious mutations may still affect the world economy, which we are currently witnessing. Patient numbers are at their highest since the pandemic began and the economy in Europe and the US is running at half throttle because of it. This is also reflected in the area of precious metals. **Refineries** that produce investment ingots have been under **enormous pressure** on the part of buyers **for two years now**, as they still have not coped **with the unprecedented demand for precious metals** and **delivery times** for some ingots are stretched to several months. However, it is not only private investors or ordinary citizens who buy. **Central banks are also buying**. The World Gold Council (WGC) has announced that banks currently **hold a record amount of gold in their inventories**, i.e. 36,000 tonnes. **In the last decade alone, they have bought more than 4,500 tonnes**. So they keep getting rid of the dollar in their reserves while replacing it with gold. This trend will certainly continue.



Turkey is currently experiencing a sad story. The **Turkish currency has depreciated by 36% in one year** and authoritarian leader Erdogan, instead of letting the central bank work, is giving it political orders to cut interest rates in such a situation. So it accelerates this hyperinflation. Luckily, it is not a new situation for Turkish people. Their currency has already gone through several collapses in the past, leading to Turkey becoming **one of the largest markets for gold jewellery. Gold is a traditional store of value in this country** and people have been relying on it for centuries.

The year of 2022 will also be interesting politically, especially in Europe. The political climate is changing in the three largest economies, which can have a major impact on the economy. Germany will be dealing with the departure of Angela Merkel, France will hold presidential elections, and the chances of the far right or populists are not small, and Italy is waiting to see if Mario Draghi, its current saviour, will want to swap the prime minister's seat for the presidency.

We are sure to have a very interesting year ahead of us and we believe that **gold, as part of portfolios, can mitigate expected and unexpected economic or political shocks** while helping those who own it to be independent of influences that are not so much in the individual's control.

### Precious metals in the 4th quarter 2021

	Gold	Silver	Platinum	Palladium
<b>The highest price USD/oz</b>	1,869.00	25.395	1,098.50	2,219.50
<b>Date</b>	16-11-2021	15-11-2021	16-11-2021	18-11-2021
<b>The lowest price USD/oz</b>	1,747.70	21.87	919.50	1,590.50
<b>Date</b>	04-10-2021	15-12-2021	15-12-2021	16-12-2021

**Gold** – it surpassed USD 1,850 per troy ounce in the last quarter, however, it did not stay above it and it currently ranges from USD 1,800 to USD 1,850 an ounce. We expect rather gradual growth in the next quarter. The crucial question will be whether the US FED will actually raise interest rates as it has declared, whether this increase will sufficiently cover inflation and whether inflation will accelerate further or remain around the 5% threshold.


**Silver** – it is still waiting for its stellar moment, which some analysts believe is long overdue. In the fourth quarter, it briefly got above USD 25 per ounce, but it did not stay there for long and subsequently fell even below USD 22 per ounce. Fortunately for it, it was only short-lived and now, it is in a safe range of USD 22–25 per ounce. Its price compared to gold is still in the range of 70 to 80 troy ounces of silver per ounce of gold. The main influence on its price is still the price of gold. Overall in 2021, it was the second worst commodity ever. Its price had fallen by 15% since the beginning of the year. However, it is also important to note that silver was the most profitable commodity in 2020, when its price rose by 48%.

**Platinum** – it is still around the USD 1,000 per ounce. It has been in equilibrium for two years now, with an 11% increase in 2020 and a 12% decrease this year. The platinum looks like it is out of the woods. Its dramatic decline, after the retreat of diesel engines, is over, the next movement of its price will not be dramatic and will keep its current level.

**Palladium** – it also declined in the fourth quarter. Its price even went below USD 1,600 per ounce, making palladium cheaper than gold, which was unusual in the past few years. It is still around the USD 1,900 per ounce. In 2021, palladium was the worst commodity ever in terms of returns. Over the whole year, its price fell by more than 22%. However, it should be added that in 2019 and 2020 its price has increased



by 80%. Overall, palladium has grown by almost 60% in the last three years. The advantage of palladium is its high volatility. At a similar price to gold, it is capable of falling as much as USD 300 in one day (17 June 2021), but also strengthen by 130 USD (16 December 2021). There are no such moves in gold even in three months.



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