

2024

EN

NEW YEAR'S INTERVIEW

with Dr. Franz Hölzl
CEO of Auvesta Edelmetalle AG

The interview was conducted by Benedikt Hausler



"Net income is the commission that the state gives us for paying taxes and social security contributions."

"It is frustrating when the amount of money in the account remains the same but is no longer enough to buy what we want."

"In this respect, I don't think the control can be tough enough."

Dr. Franz Hölzl



AGENDA

Simply click on the topic you are interested in.

REVIEW 2023

- A1** Review of 2023
- A2** Inflation Trend in 2023
- A3** Auvesta 2023 – Multiple Awards Once Again
- A4** Massive Gold Purchases by BRICS Countries in 2023
- A5** Gold-Backed BRICS Currency: Planned?

OUTLOOK 2024

- B1** General Economic Forecast for 2024
- B2** Supply Chain Due Diligence and Its Impact on Auvesta
- B3** Falling Interest Rates in 2024 and Their Impact on Gold Prices
- B4** Price Trends for Silver, Platinum and Palladium in 2024
- B5** Central bank digital currencies (CBDCs) and EU asset registers
- B6** Wishes and Outlook for 2024 from Auvesta CEO, Dr. Franz Hölzl

GREETING

Benedikt Hausler:

Welcome, Dr. Hölzl, to the New Year's Interview 2024. I am delighted that you are once again answering questions on current topics relating to the precious metal this year.

Dr. Franz Hölzl:

Greetings, Mr. Hausler. Thank you for the invitation.



A1 – REVIEW 2023

Benedikt Hausler:

Dr. Hölzl, how do you look back on the year 2023?

Dr. Franz Hölzl:

Developments in the first six months of 2023 were characterised, on the one hand, by people getting used to the conflict in Ukraine and on the other, by the massive interest rate hikes in western industrialised countries, starting in the USA and somewhat later in the Eurozone.

At the end of the year, there was also the war in the Gaza Strip. And at the same time, we are seeing the first interest rate cuts by central banks. It is not the case that the USA has already announced interest rate cuts, but smaller countries have already started to cut interest rates, largely unnoticed by the global public, Hungary, for example.

If we look at the gold price, we saw a sharp rise at the end of the year. As is the case almost every year, this is due to a rally at the end of the year.



A2 – INFLATION TREND IN 2023

Benedikt Hausler:

How did inflation develop in 2023?

Dr. Franz Hölzl:

Our customers mostly buy gold for long-term asset protection and retirement provision. Inflation has fallen in nominal terms over the past year, but we should bear in mind that the published inflation rate is calculated on a rolling twelve-month cycle.

If inflation falls from ten percent to five percent, this does not mean that the price level has become more favourable. Prices have continued to rise, just not as quickly as in the previous year. Inflation is calculated by comparing the price level today with that of 12 months ago (on a rolling basis). This means that the basis for inflation today is an already very high level in 2022.

In principle, falling inflation rates can reassure the population, but prices are still rising. Inflation is an indicator of what has happened in the past year, but not of how prices are developing on the market or what you can buy for your money. Rising wages, as demanded by trade unions, often compensate for inflation but lead to so-called cold progression in the taxation of income, i.e. higher taxes for citizens. It is common knowledge that inflation reduces the

value of money. It is frustrating when the amount of money in the account remains the same but is no longer enough to buy what we want.

Benedikt Hausler:

Does inflation have an impact on the demand for gold?

Dr. Franz Hölzl:

We must not forget that, in addition to private buyers, central banks and ETFs/ETCs, in particular, are actively involved in the gold market. These are the big players. When we read that private gold purchases are increasing again, we have to realise that these are small sums compared to the trading volumes of central banks and ETFs/ETCs.



A3 – AUVESTA 2023 – MULTIPLE AWARDS ONCE AGAIN

Benedikt Hausler:

Let's take a look at the year 2023 for Auvesta. Auvesta has received many awards and high rankings in renowned market surveys in 2023. What makes Auvesta special in these areas? Why does Auvesta win awards that other precious metal dealers do not?

Dr. Franz Hölzl:

We have organised our business operations in such a way that we excel in areas such as security, control of the use of funds, and external storage in high-security warehouses. If we were to store the goods ourselves, our customers would need to place additional trust in us. However, when we store with major international companies, these companies have strict control over our precious metal.

Our customers know at all times that the world's leading security companies store the precious metals insured to the highest security standards. Brinks, Loomis, and Prosegur are just a few examples. Our security practices and our fair pricing compared to purchase prices play an equally important role in such rankings.

We also offer our customers a clear bar allocation that ensures the transfer of ownership. This is an important protection for our customers, as their metals are actually their property and are clearly assigned. Insolvency administrators cannot access them.

Our funds utilisation controller monitors customer inventories and their completeness. He also checks the confirmations of the deposits and ensures that they are more than sufficient. This control gives our customers additional security.

Benedikt Hausler:

So, the funds utilisation controller is the „customer's lawyer“ who ensures that their precious metals are stored properly?

Dr. Franz Hölzl:

Yes, in a way you could say that. He checks the warehouse confirmations and stock levels to make sure that everything is correct. Occasionally, he even requests to visit the storage facilities in person. We have also agreed that he has access to all relevant documents at all times. This ensures that no one can tamper with them and increases transparency for everyone involved.



Our general terms and conditions explicitly state that the controller of the utilisation of funds must carry out checks on a quarterly basis. But in practice, it works like this: when he calls, he is given all the receipts. That is a maximum of two to three days in advance.

It looks like this. I get a call: „Dr. Hölzl, please be at my desk the day after tomorrow at 4 pm. I want the receipts.“ This transparency is also not common on the market, but of course, it means that nobody can manipulate anything.

And to be honest, that's a very pleasant and comfortable thing for a board of directors because then no one can ever claim that anything could have been cheated. In this respect, I don't think the control can be tough enough.



A4 – MASSIVE GOLD PURCHASES BY BRICS COUNTRIES IN 2023

Benedikt Hausler:

In 2023, we are seeing an increasing tendency for the BRICS countries (Brazil, Russia, India, China, South Africa), Arab states, and emerging markets to massively build up gold reserves. What are the reasons behind these developments?

Dr. Franz Hölzl:

The main reason is the diversification of central bank holdings in the countries mentioned. The central bank holdings there are still largely held in foreign currency, predominantly in US dollars. The aforementioned countries want to become somewhat independent of the world's reserve currency, the US dollar. One of the reasons for this is that with this reserve currency (US dollar), they are always dependent on the decisions of the Fed, i.e. the US central bank. These decisions by the Fed can have a massive influence on the economic policy of the individual states via the massive dollar reserves in the central banks.

I find it very understandable that these countries want to move away from the US dollar to some extent. The aim is to reduce international dependencies by ensuring that the metals are available, i.e., on central bank balance sheets. The precious metal, especially gold, is a tangible asset that can be exchanged and traded for any currency, no matter where or how. This rightly expected advantage is the main reason why

the BRICS countries and the countries of the global South are building up their precious metal holdings and moving into gold.



A5 – GOLD-BACKED BRICS CURRENCY PLANNED?

Benedikt Hausler:

The BRICS countries are already gradually working on decoupling themselves from the US dollar and the monetary policy of the US Federal Reserve. There are discussions as to whether a gold-backed currency or a gold-based settlement system is planned for the BRICS countries. What do you think about this?

Dr. Franz Hölzl:

First of all, decoupling from the US dollar. China plays a decisive role here. Please remember: before Mao Tse Tung, China had a third of the world's trade volume, and although it regained

market share after the end of the Mao era, it has not yet regained its third. It is clear that with its market power and large domestic population, it wants to become less dependent on the US dollar. There are also efforts to establish the Chinese yuan as a kind of second world currency (alongside the US dollar), which I believe will be successful in the medium term.

However, I think a gold-backed BRICS currency is unrealistic. It would be economic suicide – unless inflation is factored in and the gold cover rate is adjusted every few years. If this adjustment of the gold cover rate did not take place, it would lead to a rapid collapse of this currency and the

economies linked to it, as trading partners would not play along for long.

In a gold-backed currency, rising economic output with an unchanged money supply (without gold cover adjustment) would lead to deflation, which means that goods become cheaper but the economy stagnates as people wait for even cheaper prices. Deflation is almost as dangerous as inflation. As long as inflation is not too strong, it is actually an engine for economic progress. I, therefore, believe that gold-backed currencies are unrealistic.

Our currencies, as we know them, are not backed by tangible assets but by economic performance. Fortunately, there are economists in ministries who understand these relationships and hopefully discourage decision-makers from making such decisions. On the one hand, it would be beneficial for the West if China were to go down this path, as it would affect their economy. However, it would also have an impact on our own economy, as China is an important engine of growth. We export there, and if China stops producing or buying, it would affect international integration and global trade. In this respect, a gold-backed currency is an ideological illusion in my view, and we should

maintain international cooperation to prevent a „middle age“ scenario.

I still hope for human reason and human selfishness because everyone wants to be better off. If countries are on an unfavourable path, they should make corrections and avoid trends that damage their own economies. We should continue to cultivate international relations.



B1 – GENERAL ECONOMIC FORECAST 2024

Benedikt Hausler:

What do you think about the development of the global economy and the German economy in 2024?

Dr. Franz Hölzl:

That's difficult to say. Let's start with China, a country that has driven economic growth worldwide over the last one and a half to two decades. The higher the level reached, the more difficult it is to maintain high growth rates. I think China will see around 5% to 6% growth next year due to the catch-up after the corona pandemic. However, it faces challenges such as demographics and the property market, which could have an impact on trading partners.

For Germany, economies in Europe, especially the EU, are important trading partners. The EU single market is as important for us as the US single market is for the USA. We will probably only see economic growth of around 0% to perhaps 0.5% in Germany. I do not expect more growth, partly due to the economic policy of the current coalition government and the cost of bureaucratic requirements, for example compliance with the Supply Chain Duty of Care Act.

B2 – SUPPLY CHAIN DUE DILIGENCE AND IMPACT ON AUVESTA



Benedikt Hausler:

What is the Supply Chain Due Diligence Act? Is Auvesta affected by this Supply Chain Due Diligence Act?

Dr. Franz Hölzl:

The law on supply chain due diligence obliges companies in the EU to document their supply chains with regard to socio-ecological factors. The keyword here is ESG. Producers in the EU must document that all parts of the production and supply chains are flawless, which can involve a great deal of bureaucracy. This includes sustainable production methods, no pollution of nature, no exploitation of workers, and so on.

Of course, Auvesta is also affected. Every company is affected, depending on its size. However, we at Auvesta have the advantage that our supply chains are relatively flat. We source our products (precious metals) from refineries that already have the necessary documentation. We can obtain this documentation from them, which is a relatively simple solution for us. For companies with complex products and global primary products, however, such legal requirements are burdensome.

These additional requirements of affected companies require specialised labour, which is expensive and can cost between EUR 5,000 and EUR 7,000 per employee per month. The company must first generate these costs, which can have a negative impact on investments.

A significant proportion of these costs generated by bureaucracy goes towards taxes and social security contributions. This means that the state takes this part of my income, not me. That is frustrating. More than a third of all employees now work part-time, often for financial reasons, as higher incomes lead to relatively and absolutely increasing tax burdens (cold progression). Political decisions have contributed to

the indirect promotion of part-time work, although many people would prefer to work full-time.

There are also people who can't work less because of labour shortages, even though they would like to. Maybe I would work a little less, but it's just not possible. There are people like that too, that's the other extreme. But of course, as a board member, I also work because I enjoy it. That's just a side note.

B3 – FALLING INTEREST RATES IN 2024 AND IMPACT ON GOLD PRICE?

Benedikt Hausler:

What connection do you see between Jerome Paul's comments on falling interest rates and the development of the gold price in 2024?

Dr. Franz Hölzl:

Interest rates will have to fall because high interest rates are now not only dampening inflation but also jeopardising economic growth and thus the prosperity of the population and economies around the world. The central banks will, therefore, have no choice but to introduce interest rate cuts, but this time downwards.

What does this mean for the gold price? A high-interest rate makes gold less attractive as an investment medium. A low-interest rate makes it attractive again. Mind you, we are talking about an investment medium here, not gold as insurance for asset protection. These are two completely different pairs of boots. The gold that is now moving metal prices is often just paper gold, frequently in ETCs and ETFs. And these are the volumes that can also move the market. But what is actually physically held or bought by small investors is not large enough in terms of volume to trigger major market movements.

Forecast for 2024: The gold price will move sideways, provided there are no major interest rate changes or crises, and, as is the case every year, peak slightly higher at the end.



B4 – PRICE TREND FOR SILVER, PLATINUM, AND PALLADIUM 2024

Benedikt Hausler:

Let's look ahead to 2024 and talk about silver, platinum, and palladium. What do you expect for the so-called white metals in the new year?

Dr. Franz Hölzl:

The price and fluctuations of these metals depend on economic performance, as these metals are used in industry. For example, palladium fell sharply last year after having risen sharply years before. Why? Because industrial demand fell. In the case of palladium, in particular, attempts have been made in recent years to reduce the demand for the raw material palladium through improved techniques, which has led to longer useful lives.

Benedikt Hausler:

So after a decline of around 35% in palladium at the end of 2023, you don't see a good opportunity to get in?

Dr. Franz Hölzl:

I would wait and see. In general, I see the three white metals more as speculative objects than as long-term investments. In the past, we have seen price increases similar to those of palladium. With platinum, for example, around 15 years ago, when demand rose sharply due to car catalytic converters. But such exorbitant price rises are not sustainable. It is advisable to realise profits when such opportunities arise.

I see gold, on the other hand, as a long-term means of security and asset protection. It is like an insurance policy for your assets, especially if you are making provisions for your old age. Alongside property and long-term equity investments, gold is an important component. In market phases when share prices are low, you should not sell shares to avoid losses. Instead, gold can offer its hedging

function for your assets in such phases.

The price of gold traditionally tends to rise in such phases. It is, therefore, advisable to hold gold in good times to benefit from its protection in difficult market phases.

The price trend for white metals in 2024 will therefore, continue to depend largely on the areas in which these metals are used, their potential substitution by other raw materials and the global economic environment. Due to a rather weak forecast for the global economy, I do not expect any sharp jumps in the prices of these metals. Nevertheless, silver is the most interesting of these metals. Silver is used in many more industrial applications than platinum and palladium. Their main area of application is still, albeit declining, catalytic converter technology.



B5 – CENTRAL BANK DIGITAL CURRENCIES (CBDCs) AND EU ASSET REGISTERS

Benedikt Hausler:

We receive many questions about central bank digital currencies (CBDCs) and EU regulations and how these could affect gold investments. As a gold trader, what is your view on these developments?

Dr. Franz Hölzl:

Digital currencies are not really new. We already use digital payment methods such as credit cards and EC cards, where only numbers are moved back and forth. The only difference with a digital central bank currency is that the central bank is now the guarantor behind these digital currencies. Here I see the danger of a further decoupling of the money supply from economic output. More money could be created with central bank money than with so-called fiat money, which is created through lending. This could lead to creeping inflation, but also offer the possibility of quickly restricting the money supply. Central banks are introducing digital currencies to improve their control over the money supply. But if central banks are subject to political influence, this could be problematic.

In the past, central banks had to use the printing press, which cost money. Now all it takes is an electronic transfer, which takes place in seconds and is hardly noticed at first. There is no immediate negative impact on gold investments. In fact, gold investments could become even more important as a stabilising factor for citizens.

A centralised asset register raises questions about privacy, but for the time being, it does not affect the average citizen. Other aspects such as the registration of banknote serial numbers at ATMs and bank transactions could be far more dangerous to privacy. Gold remains a solid option for long-term wealth preservation.



B6 – WISHES AND OUTLOOK FOR 2024 FROM AUVESTA CEO DR. FRANZ HÖLZL

Benedikt Hausler:

To conclude our New Year's interview, I would like to ask you, as I do every year, about your personal wishes and hopes for the coming year as CEO of Auvesta Edelmetalle AG.

Dr. Franz Hölzl:

I have wishes that will probably not come true, unfortunately. Peace in the Middle East and Ukraine is my first wish. For the war in Ukraine, I hope that no enormous demands for reparations are made to avoid historical mistakes.

I would like to point out two historical events that are hardly remembered today, as they are often not sufficiently taught. After the Napoleonic Wars, there was the Congress of Vienna, which aimed to establish peace without demanding excessive reparations. This decision prevented major wars in Europe for almost 100 years.

In contrast, a different approach followed after the First World War. Germany was declared the main loser, and immense reparations were demanded. This led to hyperinflation in Germany in 1923 and political instability during the Weimar Republic, which enabled Hitler to come to power. Incidentally, the last payments of these reparations were not made until the 1990s.

My wish is that we learn from history. Politicians should not assume that democracy is the only acceptable system. Other countries and societies have different views. Imposing this, whether by force or economic pressure, is doomed to failure, even though I personally consider the democratic system to be the best system to date.

As a board member of Auvesta, I hope that societies

and economies can be rebuilt after conflict and destruction, similar to the German economic miracle after the Second World War. People who are hungry for progress will work hard, and this will create prosperity in their countries. Those who help them and invest will also benefit. In my view, reparations payments are therefore the wrong way to go, as they fuel renewed hatred and conflict. Instead, we should invest in reconstruction, similar to the Marshall Plan after the Second World War, and this investment will come back in the long term. That's how the world works.

So I wish, with Nicole, „A little peace,...“

Benedikt Hausler:

Dr. Hölzl, thank you very much for this year's New Year's interview. I wish you a healthy and successful 2024.

Dr. Franz Hölzl:

I also wish all our customers and readers a good, peaceful, and happy 2024. And don't forget, security costs money. If you buy gold, you are on the right side.

RATE US.

On Google or Proven Expert – just a click.



STAY UP TO DATE

Follow us on our channels to get more information.

