

## Daily U.S / European Wrap

- **Gold** continued to come under persistent downward pressure through both sessions falling to \$1875, driven by 1) the resilient surge in US\$, and 2) the lack of follow-through buying in the overnight session in response to hot CPI no. The belief – the longer prices remain stale & sideways and length long, the greater the downside risk – took hold. For now, key medium-term technical support has held and we have not changed our constructive view given this is likely an unwind of short-term froth into the weekend.
- **Silver** was notably more resilient vs gold weakness, only erasing its intraday gains and finding some support in \$27.90-\$28 area. Both **Platinum** and **Palladium** withstood potential pressure from Gold and remained above their weekly lows carved out yesterday, with ranges rather tight.
- **Copper** embarked on stellar run today through \$10,000/mt, despite the growing belief that China will offer up state reserves directly to end-users in order to cap pricing across copper and other strategic base metals. SHFE stocks saw largescale decreases in the weekly report highlighting that convincing bull markets usually overlook that which doesn't support its case.
- **US equities** hovered near record highs in choppy trading, while **WTI** remains bid through \$70/bbl on stronger demand outlook. However, it was the USDs impressive rally today (DXY shot up to 90.60) and US rates action (this week) which were the notable movers. The DXY rebounded and had the hallmarks of a short covering rally into expiry of large options; **the USD seems to be the only asset attempting to price in any taper talk rhetoric ahead of the Fed meeting next week.**
- Overall, the structural inflation trade remains intact, although with bond yields seemingly comfortable below 1.5%, and the larger commodities bull run having cooled off somewhat, it's signaling some fatigue. To be clear (*in response to some replies*), macro markets are pricing in the Fed's transitory inflation tune BUT 1) two convincing data beats in CPI, 2) wage pressures continuing unabated (which is unlikely to reverse!) and 3) a Fed Balance Sheet which just hit \$8tn today, is certainly not transitory. **Continue to expect more volatility around US data releases and a non-linear upside path in precious (given titled positioning).**

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