

US/European Wrap

Respect Golds technical breaks; they're aligned with major Fed pivots



- US stocks set another record high in v quiet trading but with increasingly compressed ranges and low volumes. 10 yr yields hit a 1month high at 1.38% after the letdown 30yr bond auction.
- Gold held onto yesterdays gains and straddled \$1750, perhaps an early sign of the new technical pivot. This was the old breakdown level that triggered the Sunday capitulation. Chinese and physical demand remains muted, despite a pickup from very weak levels; the physical floor is not steady if US data, Fed speak accelerate the taper message prompting momentum paper selling to reignite.
- Silver remained under pressure, falling toward \$23 in stark contrast to Gold which solidifies the idea that either 1) CB (Gold) demand is providing support, and/or 2) (Silver) producer-related selling continues unabated. Platinum held its head above \$1000, with notable price strength coming on during the Asian session signaling physical demand. Palladium was uneventful.
- US PPI came out stronger across the board vs expectations, which is a surprising divergence from the CPI stats yesterday. The lack of the expected reaction – US much higher & Gold much lower – is surprising; while PPI doesn't garner as much attention as CPI, it could've been a greenlight for the 'taper trade' (higher yields & US) to reprice convincingly. Relatedly, Jeffrey Gundlach had some interesting comments around inflation today, saying back-to-back readings of 5.4% YoY "are no probably, but provably, understated" with gauges of inflation "disturbingly up"
- WTI put in mild declines after the IEA cut global demand forecast by 550K bpd for 2H21 and sees a surplus in 2022; overall they cited a "highly uncertain outlook" due to the Delta variant which is a sharp U-turn from their call just a month ago urging OPEC+ to open the taps or risk seeing a price spike. Their call also doesn't sit right with the US's call for OPEC+ to ramp up production. Policy signals, in the energy space, is just increasingly conflicting...

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