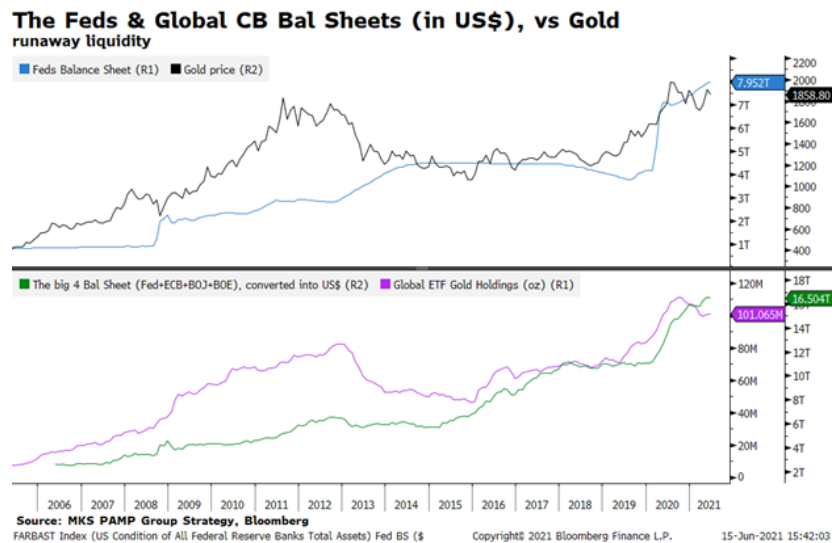


Daily U.S / European Wrap



- **Gold put in its third straight decline**, now \$50 from the peak last week, as investors await the Feds meeting and prefer to derisk in the off chance they begin to talk about tapering and the dotplot confirms a rate hike in 2023 (or sooner).
- **The emerging tightening narrative has been internalized by Gold (lower to \$1850), US yields (higher, back toward 1.50%) and DXY (stronger, above 90.40) the past 3 days.** The Fed is very aware to avoid a 2013-style taper tantrum (recall Gold plummeted almost 30% in a year then), and their communication will be key but likely cautious.
- **The large bull run of commodities has cooled off a bit, especially with the headliner collapse in Copper prices today**, through the key 50dma (its support line since the recovery began fall 2020), down over 4% DoD. Short-term fundamental weakness out of China & ongoing pressure to curb commodity speculation, some technical pressures, and a macro thinking that peak liquidity/growth is perhaps behind us, conspired and outweighs the bullish long-term green-energy theme. Once the dust settles, this *could* force a rethink within metals (i.e.: a subsector rotation from the growth-focused base metals into precious metals that are better proxies for a lower growth/higher inflation backdrop), depending on the Feds outlook and upcoming data.
- **U.S. stocks** reversed their earlier declines as the drop in US retail sales and an uptick in producer prices reinforced the theme of ongoing choppy data releases. **Crude oil** traded at the highest level since 2018 with WTI through \$72/bbl diverging from most other commodities, ahead of the summer driving season as the drop in fossil-fuel spending fails to meet the near-term rebound in oil demand.
- **Overall, the structural inflation trade remains intact (despite this recent reset), and while 10 yr bond yields are comfortable around 1.5%, pricing in the Feds transitory inflation tune, the unabated wage pressures and continued swelling of money supply are certainly not transitory drivers.** Graph 1 shows the Feds Balance Sheet (and Global CB Balance Sheets in US\$) vs Gold & ETF Holdings.

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