

Daily Asia Wrap - 16th March 2021

Range Asian Hours
(from Globex open)

| | GOLD | SILVER | PLATINUM | PALLADIUM |
|-------------|------------|----------|----------|-----------|
| OPEN | 1731.70/20 | 26.22/25 | 1218/21 | 2387/97 |
| HIGH | 1734.80/30 | 26.27/30 | 1218/21 | 2388/98 |
| LOW | 1729.50/00 | 26.09/12 | 1209/12 | 2377/87 |
| LAST | 1734.70/20 | 26.20/23 | 1217/20 | 2385/95 |

MARKETS/MACRO

It was a gentle start to the trading week for global markets as investors look ahead to some key central bank meetings on Wednesday (FOMC) and Thursday (BoE). The lighter activity still did not hinder the major US indices booking further record highs with the Dow adding +0.53% to 32,953.46, the S&P500 gaining +0.65% to 3,968.94 and Nasdaq composite closing up +1.05% at 13,459.71. European equities ended mostly weaker on the day, as the incidence of corona virus in the EU continues to increase. The DAX shrugged off -0.28% to 14,461.42, the CAC40 slid -0.17% to 6,035.97, while the EuroStoxx 600 was flat at 423.08 and the FTSE100 -0.01% at 1,629.74. US treasuries consolidated, with yields holding in close to recent highs with the 10y closing down -2bps on the day at 1.605% and 2y off -0.1 bp at 0.15%. In the FX space, flows continue to be on the lighter side ahead of the both the FOMC and the BOJ MPC later this week, helping to keep most G10 pairs in a relatively tight range. USD/JPY climbed for a fourth day, reaching its highest point since the middle of last year. The pair is now up just shy of +4% over the last month as US economic outperformance continues. With the Bank of Japan announcing its long-awaited policy assessment on Friday, there is a good chance they could 'out-dove' the Fed so current momentum could be sustained. Crude prices softened, with the WTI and Brent both declining -1.2% to \$65.37 and \$68.85 respectively and base metals continued to push higher led by Aluminium (+2.2%) and Zinc (+1.9%).

On the data front, The March Empire Manufacturing Index indicated a bright start to the month for the industry. The index rose to 17.4 from 12.1 – its highest reading since November 2018. Inflation sub-components rose to their highest since May 2011, with prices paid up +6.6pts to 64.4. It wasn't all one-way, however, with employment falling back to 9.4 from 12.1.

Elsewhere, Germany, France and Italy said they would join the list of other nations in suspending the AstraZeneca vaccine roll-out, out of fear of potential issues with blood-clotting. The muted reaction in the stock's share price and broader market suggests investors think this might be more political posturing than serious cause for concern.

PRECIOUS

Gold managed to hold its ground Monday as investors bet on the Federal Reserve remaining dovish at this week's FOMC meeting. We opened in Asia yesterday at \$1727.50, trading a \$2.50 range prior to the SGE open. Once Shanghai opened for business, there was decent physical buying seen, which was continued on from last week. This helped propel the spot gold price toward \$1734, with a decline in yields being offset by modest dollar strength into the Asia afternoon. It came back off as the London session rolled around, however, there was continual buying seen on the approach of \$1720, which held throughout Europe's trading hours. Early NYK we began the gradual grind higher to hit the days peak at \$1734.60, before coming back off toward \$1723. Over the remainder of the NYK afternoon the yellow metal crept back up to close around \$1732. Silver tested beneath \$26 in early trade Monday only to bounce back sharply on the Shanghai open. Later in the Asia afternoon, it pushed all the way to \$25.80 support, but there were decent Comex bids happy to scoop it up from there. In the end the white metal finished up at \$26.25. We suspect the metals will remain rangebound leading up to the FOMC.

It was a calm and consolidative day in Asia today, with both gold and silver holding narrow ranges and trading limited volumes. The yellow metal opened up at \$1732 and traded sideways into the China open. There was a brief dip thereafter to \$1730, but it snapped back sharply to \$1734. As I write we are testing \$1735 (cash), where there are some noticeable Ecomex offers and it is resisting for now. At this week's FOMC meeting it is widely expected that there will be little change from the central bank in terms of its forward guidance and asset purchases. Chair Powell will likely reiterate that the

recent rise in long-term yields reflects better growth prospects and reinforce the view that maximum employment is far away so the Fed can be patient. I believe gold will remain fairly quiet leading into the announcement, with a slight upside bias, testing the nerve of shorts in the lead up. Ahead today on the economic calendar, look out for French and Italian CPI, Euro and German ZEW surveys and US retail sales, industrial production and capacity utilization. Have a good day ahead and good luck.

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