

Daily Asia Wrap - 1st March 2021

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1733.30/80	26.64/66	1189/92	2317/37
HIGH	1752.40/90	26.93/95	1222/25	2340/50
LOW	1733.20/70	26.64/66	1188/91	2313/33
LAST	1750.50/00	26.82/84	1218/21	2335/55

MARKETS/MACRO

It was quite a week for global markets last week, with a surge in core yields rattling everything from equities through to gold and digital tokens. It was much of the same for fixed income in the early hours of NYK, however, later in the day there was a sharp correction with the 10y finishing down -12bps at 1.405%. This perhaps gives some indication that we might be approaching a period of stabilisation, especially given the move over the past month has been a 3.6 standard deviation event! Equities closed on very mixed footing to round out the week, with tech bouncing back after a dismal 4 days. The Dow tanked -1.5% Friday to 30,932.37, the S&P500 gave back -0.47% to 3,811.15, while the tech-heavy Nasdaq advanced +0.56% to 13,192.35. Things were more gloomy for European equity indices with the FTSE100 cratering -2.53% to 6,483.43, the DAX slipping -0.67% to 13,786.29, the CAC40 off -1.39% to 5,703.22 and the EuroStoxx 600 falling -1.64% to 404.99. In FX, the US dollar index firmed +0.56% to 90.93, with AUDUSD continuing its rapid decline after hitting 0.80 on Thursday and trading as low as 0.7693 Friday, before closing at 0.7706. USDJPY firmed to 106.64 and EURUSD lowered to close at 1.2075. The rising USD and belief that this weeks OPEC+ meeting could see supply targets slashed weighed on crude oil. The WTI eased -2.2% to \$61.50 and Brent declined -2.8% to \$64.42. Despite the lower prices to round out the week, Brent still managed to gain +18.1% in Feb and WTI +18.8%, as supply was hit, inventories wane and growth demand fueled by the global economic recovery has risen.

On the data front, US January personal income rose +10% m/m, driven by government social benefits authorised under the December USD900bn stimulus package. That led to a +2.4% m/m rise in spending (+USD341bn saar), that was broad based and its strength showed in the PCE deflator data, with the 3mth annualised rate of change rising to 2.4%. Durable goods prices rose +0.7% m/m on top of December's +0.4% m/m rise, indicating some bottleneck pressure. With base effects due to push annual inflation higher in coming months, the data will feed questions about Fed patience, despite the Fed expecting any lift in prices to be transitory. In other data, the January trade deficit widened, mirroring the rise in personal spending, while the February final University of Michigan consumer sentiment reading was a little firmer.

PRECIOUS

Despite the rout in bonds showing signs of easing late in the New York session on Friday and the USD backing off, the sell-off in gold only accelerated. The yellow metal opened in Asia on Friday at \$1771.50, dipping -\$6 over the opening few hours. There was a brief uptick following the Shanghai open with fast money accounts looking at locking in some profit from the previous sessions fall. We hit the daily high of \$1775.50 late in the Asia afternoon and came off from there. We broke through the \$1765 support during the morning European hours with some stops triggering down to \$1755. We oscillated between \$1755-65 up until NYK open where the metal plunged to the days lows of \$1717.90. A -9 bps drop in yields helped to stabilize the gold and we closed out the week at \$1734 (-2.8% for the week). Silver dropped nearly -4.5% from the daily highs on Friday to bottom out at \$26.15, before bouncing and closing back at \$26.65 (-2.7%).

It was one direction from the onset this morning, with decent physical bids seen early in Asia pushing gold immediately higher. Some initial resistance around \$1740 capped the metal for the first few hours prior to Tocom and the SGE opening up for business. Once the latter opened, further orderly

buying was seen and gold continued to make its way toward \$1750 into the early afternoon. It has held around that level fairly well so far, but there are scaled up offers on Ecomex which are holding things in place for now. Silver has ticked higher in line with gold, falling short ahead of \$16.95-17.00. Like gold it has held in well around the highs thus far – so it will be interesting to see what early European traders will do with the precious today. We expect another interesting and volatile week ahead with gold likely to take its cues from treasuries and USD. All the best.

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