

## Daily Asia Wrap - 26th May 2021

Range Asian Hours  
(from Globex open)

26-May-21	GOLD		SILVER		PLATINUM		PALLADIUM	
	Bid	Offer	Bid	Offer	Bid	Offer	Bid	Offer
OPEN	1898.70	1899.30	27.9750	28.0050	1195.00	1198.00	2761.00	2776.00
HIGH	1907.60	1908.20	28.2100	28.2400	1208.50	1211.50	2794.00	2809.00
LOW	1896.90	1897.50	27.9450	27.9750	1195.00	1198.00	2759.00	2774.00
LAST	1906.30	1906.90	28.1750	28.2050	1207.00	1210.00	2789.50	2804.50

### MARKETS/MACRO

Risk assets held firm overnight, although US equities after pushing higher early ended the session flat. The Dow slipped -0.24% to 34,312.46, the S&P500 slowed -0.21% to 4,188.13 and the Nasdaq inched down -0.03% to 13,357.18. European equities were narrowly mixed on the day, the FTSE100 slipping -0.31% to 7,029.79 and the CAC40 losing -0.28% to 6,390.27, while the DAX and the EuroStoxx 600 managed to carve out modest gains of +0.18% and +0.03% respectively. US yields extended their decline overnight with the 10yr down -4.1 bps to 1.559%, after hovering at 1.70% just a week ago. This slide in nominal yields is giving added momentum to the dollar sell-off, helping some pairs push through some key technical levels – DXY down to 89.68 and EURUSD through 1.2250. Crude oil inched higher amid the prospect of a continued recovery in demand. Expectations for the summer driving season in US are rising, as virus cases fall and restrictions ease. The Brent lifted slightly (+0.2%) to \$68.63, while the WTI remained flat at \$66.02.

On the data front, Consumer confidence eased to 117.2 in May (118.8 expected) and the April data was revised down to 117.5. Expectations have fallen to 99.1 from 107.9, but consumers are more confident about their current situation at 144.3 from 131.9, as demand for labour has strengthened as more businesses reopen. Consumer focus on housing seems to have waned. There is a massive drop in the number of people now planning to buy a home, with the trend also noticeable in the new home sales data. April sales fell -5.9% m/m, following a sharp downwards revision of March data to 7.4% (was 20.7%), but levels are still high. A slowing in mortgage applications indicates home sales will ease further in the future. March house price data showed houses are up 13.3% y/y. In Europe, Germany's IFO index rose to 99.2pts in May, its highest reading in two years. Both the expectations (102.9) and the current assessment (95.7) sub-indices were higher than last month. Confidence is now running above its long-run average.

### PRECIOUS

Gold had a productive session overnight, extending its rally and pushing toward \$1900 and clinging to that level for the final 3 hours of the day's trade – the highest since January. Investors were on the bid following further comments from Fed the Fed's Clarida that recent inflationary pressures are likely to be transitory, dampening any expectation of tightening monetary policy. The metal also got a boost from the weakening USD sentiment, softer US housing data and lower than expected consumer confidence. We opened in Asia yesterday with gold on the back foot falling off from \$1881 to \$1873 just after the Shanghai open. It recovered back towards \$1880 later in the session, but quickly came back under pressure as European traders began to man their desks. During the European day most of the time was spent between \$1880-85, getting a slight initial boost from the weaker dollar. Once the Clarida comments hit the wires and the softer US data, dollar and yields hit, gold rocketed higher to hit \$1900. It held in well at that level all the way to the close, registering a solid daily gain of +1.0%. Silver, after flirting with \$27.50 and a decent upward trendline dating back to late March, broke higher in line with gold during the US session and never looked back, closing just off the highs at \$28.00 (+0.85% intra-day). PGM's were all positive as well, benefitting from the risk on sentiment, Pt closing up +1.6% and Pd +1.15% for the session.

The positive sentiment overnight carried over into today's Asian session, with some early fast money profit taking easily absorbed by macro and model names. Gold and silver traded in modest ranges initially, clinging close to their respective overnight highs, before a surge of buying was seen on the SGE open as the USDCNH and USDCNY began to crater. Gold rose back through \$1900 and has remained well bid since. Similarly silver breached \$28.00 and has held firmly above \$28.10 since. PGM's saw some strong Japanese based demand on Tocom and started their ascent early, Pt running into some pressure around \$1210, while palladium supply at \$2,800 was decent and capped the rally. Both PGM's continue to hold around these levels and have not backed off thus far. Ahead today in

terms of data, look out for French manufacturing and consumer confidence and US mortgage applications. Best of luck for the day ahead.

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