

Daily Asia Wrap - 31st May 2021

Range Asian Hours
(from Globex open)

31-May-21	GOLD		SILVER		PLATINUM		PALLADIUM	
	Bid	Offer	Bid	Offer	Bid	Offer	Bid	Offer
OPEN	1903.60	1904.20	27.9200	27.9500	1184.50	1187.50	2820.00	2835.00
HIGH	1910.40	1911.00	28.1150	28.1450	1190.50	1193.50	2835.00	2850.00
LOW	1902.60	1903.20	27.9050	27.9350	1182.50	1185.50	2815.50	2830.50
LAST	1906.30	1906.90	27.9700	28.0000	1186.50	1189.50	2831.50	2846.50

MARKETS/MACRO

Risk appetite ended the week on steady note Friday, on what was the final day of the month for US and UK traders, with holidays scheduled Monday. US equities inched higher on the day, the Dow rising +0.19% to 34,529.45, the S&P500 ticking up +0.08% to 4,204.11 and the Nasdaq creeping +0.09% higher to 13,748.74. European equities posted gains to round out the week, with the DAX climbing +0.74% to 15,519.98, the CAC40 advancing +0.75% to 6,484.11, the EuroStoxx 600 rising +0.57% to 448.98 and the FTSE100 inching up +0.04% to 7,022.61. US treasury yields were lower, with some month end squaring going through, the 2y yield easing -0.6 bps on the day to 0.141% and the 10y yield dipped -1.9 bps to 1.594%. In FX, we did see quite a bit of month-end buying across the G10 complex on Friday – Euro taking a decent roundtrip down to 1.2140, before discretionary and macro demand brought it back in line. Crude eased on Friday ahead of this week's OPEC meeting, despite reports that demand is set to increase as the northern hemisphere's summer driving period approaches and lock downs are relaxed. WTI slid -1.0% to \$66.32 and Brent relinquished -1.1% to \$68.72.

The April PCE deflator rose +0.6% m/m as core rose +0.7% m/m, versus +0.6% expected. Services inflation rose strongly again, up +0.5% m/m. Over the past three months, it's been running at an annualised +4.8%. Goods inflation rose +0.6% m/m, running at an annualised +6.0% pace over the past three months. The Federal Reserve thinks that these elevated monthly prints are transitory, and for now the bond market continues to buy into that guidance. Personal income fell -13.1% m/m, reflecting a normalisation after the stimulus cheques' boost in March. Personal spending rose +0.5%, implying upwards momentum in consumption is continuing. The personal savings rate fell due to income normalisation, but was still elevated at 14.9%, or USD2.8trn dollars. In other data, the final May University of Michigan consumer sentiment index was little changed from the preliminary estimate, and final inflation expectations in the report also held steady. The Fed will be encouraged by the fact that, amid all the fiscal announcements, longer-run inflation expectations appear anchored.

The new US and European data cycle begins in earnest this week. May non-farm payrolls tops the billing, with the median expectation looking for a strong bounce to 650k following April's disappointing 266k rise. Markets are also gearing up for the next round of central bank meetings, with the RBA Tuesday, European Central Bank on 10 June and the Fed on the 16th. This week will be the last chance for Fed officials to provide guidance ahead of the blackout period, which starts 5 June. No deviation from the 'transitory' guidance is expected, and by the time the FOMC meet later in June it will have had two CPI releases since it last met. Powell's participation in a BIS Panel on climate change on 4 June will also be watched.

PRECIOUS

Gold had a constructive week and a strong close on the Friday to round things out, the metal closing north of \$1900 and respecting its upward trendline. In Asia on Friday gold opened at \$1896 and came under early pressure from fast money selling. It was a slow descent throughout most of the Asia session, the metal trading down to \$1888 area before a brief respite was seen from early London traders. Some dollar related buying mid-morning in Europe reduced the gold to its daily low, before US traders came in and bid things higher. We shot back to \$1900 fairly quickly, in line with the sharply rebounding EURUSD. Persistent buying from retail and macro names, outweighed producer selling late in the day to close at \$1904. Silver followed suit, bouncing well off the \$27.40-50 area once again and closing just shy of \$28. PGM's were volatile on Friday, palladium trading a \$50+ range and platinum \$20+, with both ending the day flat or slightly firmer.

With the US out for the memorial day holiday and the UK out for a spring bank holiday, activity is expected to be minimal today across markets. We opened in Asia in gold where we left off Friday and

ticked higher in early trade. After the China open the metal gradually pushed above \$1810, but ran into some supply up there, which capped the advance. Silver was strong also, reclaiming the \$28 handle and pushing as high as \$28.115, before reversing this afternoon and flicking either side of \$28 as I write. PGM's have been bid modestly so far in Asia, platinum currently up +0.4% and pd +0.5% so far. As mentioned, volumes will be light and liquidity lower than usual today with a number of major markets shut. All the best.

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