

Daily Asia Wrap - 5th March 2021

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1697.30/80	25.29/31	1129/32	2334/44
HIGH	1698.40/90	25.43/45	1132/35	2341/51
LOW	1687.20/70	25.05/07	1110/13	2327/37
LAST	1692.30/80	25.19/22	1121/24	2341/51

MARKETS/MACRO

Financial markets were under pressure overnight following Powell's appearance at a virtual *Wall Street Journal* conference. The Q&A session largely saw Powell stick to familiar dialogue - reiterating that Fed members continue to see the rise in yields as manageable and forward inflation indicators as purely transitory. He offered little in the way of new commitments, at most, repeating a comment from his colleague Brainard, who earlier in the week said that a premature tightening of financial conditions would warrant the Fed to act. Markets interpreted this lack of pushback as a signal to take yields higher – the backend steepening sharply with the 5s30s touching 156bps as a torrent of selling hit the long end. Equities were rattled also, particularly tech and growth names - the Nasdaq tanking -2.11% to 12,723.47, the Dow sliding -1.11% to 30,924.14 and the S&P500 declining -1.34% to 3,768.47. Things were a little more measured for European equities, experiencing minor declines across the major indices. The FTSE100 slipped -0.37% to 6,650.88, the DAX inched down -0.17% to 14,056.34, the Euro Stoxx 600 retreated -0.37% to 411.91, while the CAC40 clinged to positive territory up +0.01% to 5,830.65. In the FX space, dollars were bid across the board understandably, with USDJPY surging through 108 & the EURUSD breaking through its 100dma (1.2038) and is currently trading at 1.1968. Crude oil prices rallied after OPEC surprised the market by extending production cuts. The market had expected the group to ease output cuts amid a surge in prices and a recovery in demand as the world contains the pandemic. However, the decision to keep output quotas largely unchanged signals their intent to drawdown inventories even further, without concern of overtightening the market. The WTI rallied +5.1% as a result to \$63.93 and Brent was up +5.0% to

Powell repeated the Fed's dedication to achieving its mandated goals, which are still a long way off. Patience is at the centre of monetary policy and early rate rises are not on the agenda amid a "transitory" rise in inflation. He said he sees good reason for the labour market to recover, noting that full employment is more than the jobless rate and confirming that the Fed will measure the job market broadly. He noted that 4% unemployment wouldn't mean the labour market has achieved full employment. The main message as we head into the blackout before the March 16-17 FOMC meeting is that the Fed will not be raising rates until the mandated conditions are fulfilled. For the near future, therefore, the Fed will deliberately sit behind the curve, allowing the anticipated recovery to unfold and strengthen.

PRECIOUS

The precious metals sector came under pressure after the market was left disappointed the Fed was reluctant to push back against higher long term borrowing costs. As the bond market fell and USD strengthened, demand for metals disappeared with gold testing fresh cycle lows beneath \$1700. The yellow metal was choppy throughout the Asian session yesterday within a \$1708-18 range. It briefly poked its head above \$1720 a few times throughout the European morning, but once NY came in the selling began to accelerate in line with rising bond yields and the strong Greenback. The metal saw stops triggered on the break of \$1700 and failed to push back through there, closing around \$1697.50. ETF outflows remain a severe headwind for gold with combined ETF outflows hitting -326k oz overnight, while it was -400k+ oz for the proceeding two sessions. Technicals look soft also, with initial resistance sitting at \$1705-10, followed by stronger resistance around \$1765 (November 2020 pivot). Silver was smacked as well, hitting \$25.65 in Europe but recovering prior to the NY open to \$26. Once gold fell in NY the white metal was quick to follow, dropping as low as \$25.07 (-4.0% intra-day) before closing at \$23.35 (-2.8%). Platinum continued its recent slump, trading through its 50dma overnight (\$1143) and closing at \$1123 – down a dismal -15.6% since mid-February. There looks to be reasonable support between \$1120-35, so it will be very interesting to see what happens at this juncture.

Gold and silver traded relatively calmly today ahead of tonight's NFP's, with topside pressure remaining a theme throughout the session. Gold opened more or less at the highs and began to slide after about an hour into the Globex opening, testing the overnight low around \$1690. It held initially, but a wave of selling on the Shanghai open took us sub-\$1690 – albeit very briefly. Throughout the afternoon and as I write, the metal has remained comfortable between \$1690-95 trading modest volumes. Silver found support at the overnight lows (\$25.07) and has since held between \$25.15-25. Focus ahead today will be on the US employment data, but also look out for German Factory Orders, Italian retail sales and US trade balance. Have a good day ahead and a great weekend.

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