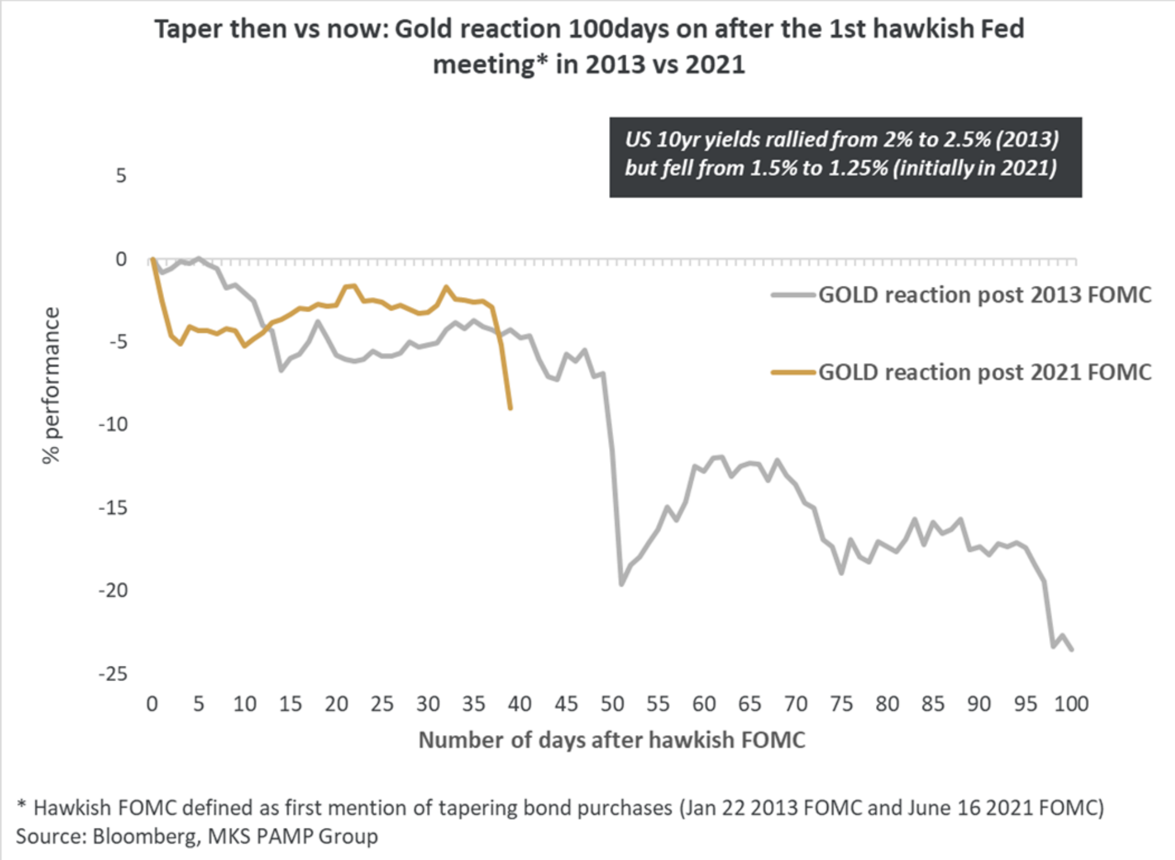
Daily US/European Wrap

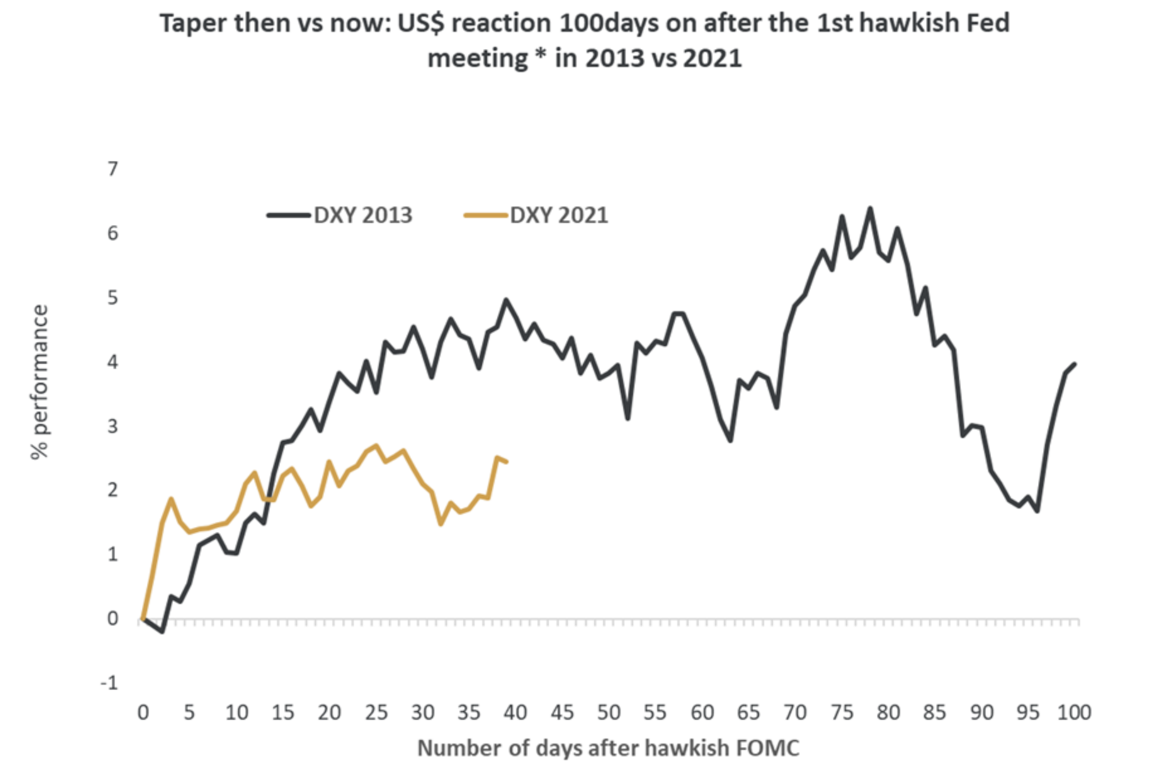


FULL Report of Fridays NFP/Taper Outlook and todays short flash crash note HERE

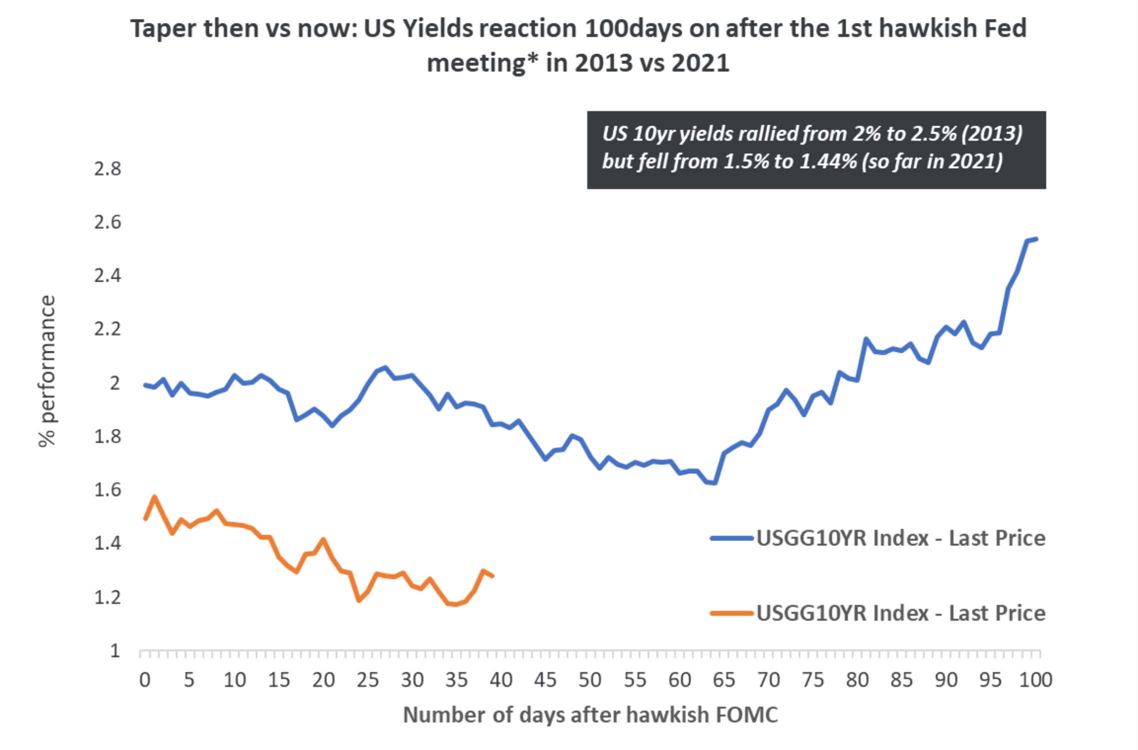
- Dec Gold futures hit a low of $1677.90, about an hour after CME 6PM open. The majority of the sweep through $1700 and through $23 (SIU1) was actually on low volumes (~3200 lots & 1300 lots respectively), w**hich highlights the lack of physical support and participation since, as well advertised, both Singapore and Tokyo are on holidays today, creating illiquid backdrop.**
- This was targeted Gold & Silver selling (PGMs remain largely unchanged, but on the backfoot), as repricings were concurrent. I**d imagine a fresh CTA program, with little appreciation for overnight liquidity standards, is the culprit,** over an discretionary (and respectable) account/fund given the overhang and threat of spoofing and /or market manipulation fines in todays era.
- The size and scale of the moves, don't provide any favors for sidelined bull or bearish participants. **Choppy illiquid and unexplained moves, make gold 'bitcoin-like' and its loses some of its safehavens appeal.** Speaking of which, its no coincident Bitcoin hit a new cycle high though $45,000 and seems that the inverse correlation between Gold /XBT has rekindled.
- **Golds overnight move has led the commodity complex.** Crude is down almost 4% (with the spread of the Delta variant in Asia blamed) which has impacted commodity currencies**. There is a persistent unwind of inflation/commodity exposure, ahead of the key CPI this Wednesday; there is also high conviction & confidence that the Fed will be successful in containing inflation and lean hawkish, after the NFP print.**
- We initially thought we would not encounter a repeat of the 2013 taper tantrum where Gold plummeted $300 in days, but given the disappointment around its inability to rally on real rates, it likely needed a washout of sentiment/hope and some positioning (see attachment). *Just not this glaring!* Graph 1 highlights Gold performance in the 100days after ther1st hawkish 2013 FOMC and the June 15 2021 FOMC (which was the 1st hint at taper); **this post NFP move looks and feels eerily similar to the April 2013 repricing. We still believe a repeat of 2013 is unlikely to that extent, but conviction is waning as Gold is now technically toast and requires some resilience to stave off some key levels.** There is a triple bottom at $1675/80, and a break of that opens up $1550, and then $1450 ($1450 is the end 2019 low and initial

COVID low in March 2020). On the topside, a retaking of $1750 would help install confidence (and hold off a move lower). It should remain relatively quiet into Wednesdays CPI.

- The Dec EFP shifted from $1.40 to $3 on the overnight move which some suggest implies OTC selling was the lead lower. Theres also been an overreach for put exposure with the vol curve shifting into a (short-lived) back also **indicating the market was caught off-guard and not factoring in such a vicious move lower.**
- Sentiment around the trajectory of yields (consensus is for notably higher US yields across most banking research analysts) has grown louder after the strong NFP report; its mimicking the narrative seen post June 2021 FOMC. **Through this lens, its little wonder the least illiquid, rate sensitive assets (Gold & Silver) are hit first. It takes some muscle to get the big blob of Fixed income to decidedly shift and gain momentum; it doesn't take much (*clearly*) for gold to reprice.**



* Hawkish FOMC defined as first mention of tapering bond purchases (Jan 22 2013 FOMC and June 16 2021 FOMC)
Source: Bloomberg, MKS PAMP Group



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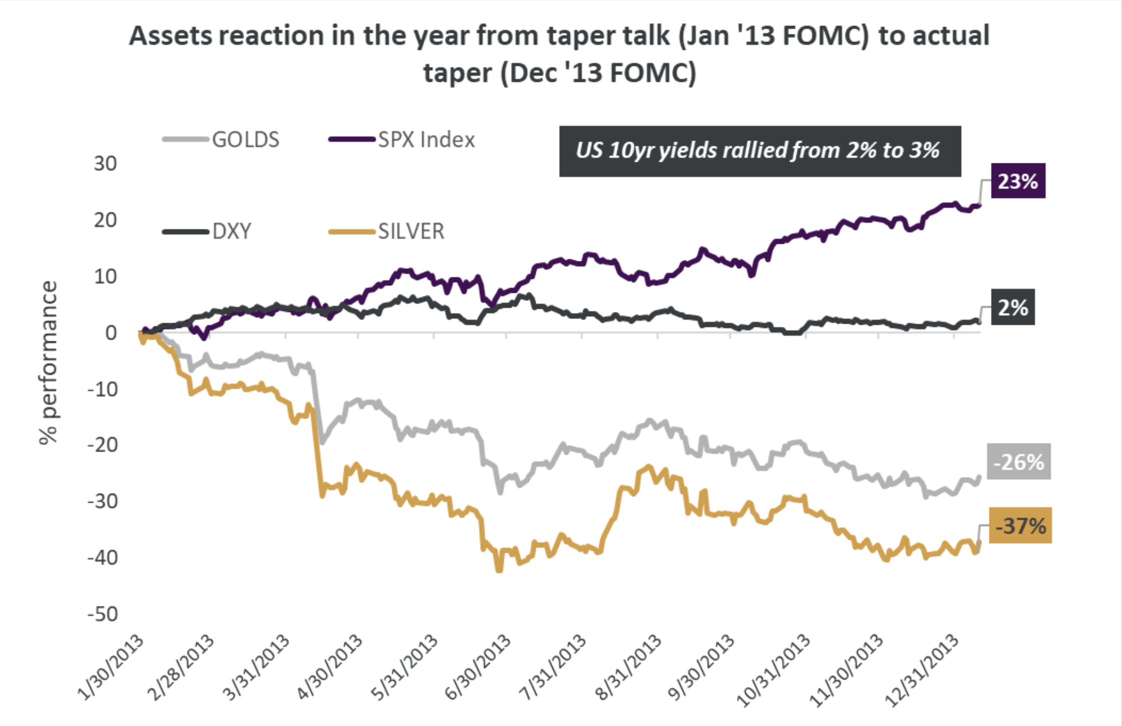

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