

Daily Asia Wrap - 12th March 2021

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1722.30/80	26.12/14	1200/03	2346/56
HIGH	1727.70/20	26.16/18	1212/15	2347/57
LOW	1716.70/20	25.90/92	1199/02	2335/45
LAST	1718.00/50	25.92/95	1203/06	2340/50

MARKETS/MACRO

Risk proved generally resilient overnight against the backdrop of lower yields and a decent deluge of dip buying in equities. We saw some of the battered tech and growth names stage a fairly impressive relief rally, supported by the passing of President Biden's USD1.9 trillion stimulus package. The S&P500 hit an all-time high at 3,960.27 and closed at 3,939.34, up +1.04% on the day. Meanwhile, the tech heavy Nasdaq surged +2.52% to 13,398.67 and the Dow gained +0.58% to 32,485.59. In Europe, equities made broad based gains across the major indices. The FTSE100 ticked up +0.17% to 6,736.96, the DAX rose +0.2% to 14,569.39, the CAC40 advanced +0.72% to 6,033.76 and the EuroStoxx 600 gained +0.49% to 424.17. In the rates market, treasuries sold off in the morning with anticipation of the 30y auction in the afternoon. This move, however, was reversed as demand for the 30y was greater than expected with the highest direct bid takedown since November 2019. There was also some decent profit taking seen in the short treasuries trade and some fresh buys from bank and treasury desks after the lackluster CPI print earlier the week. Most participants seem to think that we're likely to have some degree of consolidation in rates near term which should provide a bit of breathing room for risk assets and EM flows more broadly. Intra-day the 2y yield closed -1.6 bps lower at 0.139%, while 10y's added +2.1 bps to 1.542%. The greenback continued to soften (DXY -0.42%) as the Euro (+0.47%) tested back toward 1.20 and the Japanese Yen held unchanged. Meanwhile, oil prices were stronger - Brent rose +1.7% to \$69.63 per barrel and WTI gained +1.7% to \$66.13 per barrel.

On the data front, the number of people claiming the unemployment benefit in the US is falling. Initial claims eased back to 712,000 last week while continuing claims moved down to 4.1 million. The gradual reopening of regions is helping keep people in work. More jobs are also becoming available with job openings data for January lifting to 6.9 million. This was well above the 6.6 million expected but the challenge remains to match the skills of those out of work with jobs available. There are plenty of jobs available in the manufacturing and construction sectors. There is still, however, 9.5 million fewer Americans working now than prior to the pandemic. Across the Atlantic, the European Central Bank held its deposit rate at -0.50% and its refinancing rate at 0% as widely expected overnight. It did make it clear though that it would provide greater support to the economy by significantly accelerating bond purchases under the Pandemic Emergency Purchase Program over the next quarter. The size of the PEPP (which is due to run to March 2022) is unchanged at EUR1.85trn, so the extra spending is just bringing forward the spending already planned. At the press conference, ECB President Lagarde mentioned the recent lifts in yields are 'undesirable' and any lift in yields now would be premature and hinder the fragile economic recovery. The ECB expects economic conditions to improve in 2021. It upgraded its inflation forecast and nudged up the GDP forecast, but the pandemic and speed of vaccinations remains of concern.

PRECIOUS

It was a night of consolidation for the precious sector yesterday, where Asian/European gains were tempered by light selling throughout the US session, with most metals ending the day largely unchanged. Good physical demand in Asia underpinned a bid tone and saw gold push above \$1730 shortly after the Shanghai open. Premiums on the SGE remain elevated at around ~\$10-13 USD over spot and we continued to see consistent buying throughout the Asia afternoon which supported prices north of \$1730. We continued to push higher through the European hours, but ran into some producer selling ahead of \$1740 which capped the advance. Positive jobs data and the passing of Biden's relief package saw the gold swoon into the US morning, pushing back toward \$1720, before finding support and trading in choppy fashion between \$1720-28 into the close. Silver followed a similar trajectory, running into some macro/private bank selling ahead of \$26.50, then falling back to

a low of \$25.85 during NYK. It then proceeded to consolidate between \$26.00-26.20 into the close. Platinum pushed up toward \$1230 but ended up closing much where we started the session around \$1200.

Gold opened the day in Asia today an initially slowly meandered higher on the back of a softer USD. After opening at \$1722.50, gold ticked up to the daily high buoyed by Chinese demand initially at the SGE open. after the CNY fix it dramatically began to decline vs the greenback which saw spot gold dive from the highs to the days lows (\$1717.10) over the course of an hour and a half. It has since failed to bounce and remains beneath \$1720 as I write. Silver held firm around \$26.10-15 for most of the morning, but as soon as the USD began to rally some aggressive fast money selling pushed it below \$26 and it has been teetering around there ever since, yet has not broken back through. Ahead today, look out for UK Industrial & Manufacturing production, German CPI, Euro Zone industrial production, US PPI and US Uni of Michigan sentiment. Have a great weekend.

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