

Daily Asia Wrap - 26th February 2021

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1771.20/70	27.43/45	1220/24	2400/10
HIGH	1775.20/70	27.58/60	1233/37	2435/45
LOW	1765.20/70	27.14/16	1211/15	2389/99
LAST	1772.90/40	27.33/35	1227/31	2415/25

MARKETS/MACRO

The sharp sell-off in fixed income continued overnight. An abysmal 7 yr auction saw US treasury yields gap higher, sparking a rally in the USD during the afternoon and pushing equities aggressively lower. US 10y yields touched a cycle high just short of 1.61% and then traded wildly between 1.47%-1.55% for the remainder of the session. Equity traders reacted negatively to the sharp swings in fixed income and proceeded to take some risk off the table, with tech leading the decline. By the closing bell the Dow had retreated -1.75% to 31,402.01, the S&P500 gave up -2.45% to 3,829.34 and the Nasdaq plunged -3.52% to 13,119.43. European equities were modestly lower by comparison, the FTSE100 sliding -0.11% to 6,651.96, the DAX stooping -0.69% to 13,879.33, the CAC40 declined -0.24% to 5,783.89 and the EuroStoxx 600 fell -0.36% to 411.73. In FX, AUD touched USD 0.80 for the first time since the beginning of 2018 before retreating over -1% to become the second worst performer in the G10 after NOK. The EUR was surprisingly firm in the face of sour risk-sentiment and a rising USD. EUR/CNH broke through the 100 dma and looks to be trending nicely. USDJPY soared to a fresh high of 106.40 right around the time treasury yields hit their peak and has since settled around 106.25. Elsewhere, a stronger USD and fear the recent rally may be a little overdone, saw crude oscillate between gains and losses overnight. Brent crude is up more than +20% this month amid expectations of falling inventories as demand recovers and as economies open up. The rise in prices also raises the spectre of more supply hitting the market. The OPEC+ alliance meets next week to discuss its supply agreement, and members would surely be getting itchy feet watching prices surge higher. In the end WTI closed up +0.5% at \$63.69/bbl, while Brent was lower on the day down -0.5% to \$66.69/bbl.

On the data front, US headline January durable goods data improved, rising 3.4% m/m vs 1.2% m/m. Core orders, however, were softer at +0.5% vs 1.5%. Going forward, we expect business investment will pick up as the recovery accelerates. Still in the US, initial jobless claims for the week ended 20 Feb were better than expected, falling to 730k vs 841k and beating expectations of 825k. The data will raise expectations that the lull in US jobs creation may be coming to an end. Of note, the improvement in claims has come after the survey week for February non-farm payrolls, where severe weather conditions added to uncertainty around this release.

PRECIOUS

The metals traded on the back foot yesterday in line with plummeting bond prices and a firmer USD. Gold started out the day on the highs and saw gradual selling and limited bids early on, which gently marched the yellow metal lower. We traded down through \$1800, yet saw an uptick right on the SGE open which was brief. From there it was a constant to-and-fro for the rest of the session with a downward bias. Macro accounts were seen in on the offer throughout the day, as well as some light producer selling flows, which kept any topside moves capped. We traded as low as \$1766 late in NYK, before we finally saw some profit taking, eventually closing a touch firmer at \$1770 (~ -2.0% intraday). Silver followed the same direction as gold, testing \$18.20 in both Asia and London, but being sold aggressively each time back below \$18. Just prior to NYK open it began to push lower and continued to trade down as low as \$27.29, before closing around \$27.43. It was a pretty ugly session for metals, but all things considered - especially given the moves in treasuries - the metals didn't perform too badly in my opinion.

In Asia today, gold and silver have remained quite volatile within the overnight range. Gold held close to \$1770 for the opening few hours of trade today, although started to fall around the same time as China opened for business. This coincided with another rise in the USD, AUD/USD pushing through the o/n low to hit 0.7824 and USD/JPY revisiting last nights peak at 106.40. As I write however, the Greenback's fortunes have turned and we have seen the metals bounce back and trade at or close to their daily highs. Silver is perhaps a little more sluggish rebounding off the lows and trading in about the middle of the days range. Volatility in metals, FX and fixed income will likely continue today as we head into month end. Have a good weekend.

Although the information in this report has been obtained from and is based upon sources MKS believes to be reliable, we do not guarantee its accuracy and it may be incomplete or condensed. All opinions and estimates constitute MKS' judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as investment advice, offer or solicitation for the purchase or sale of an investment. This report does not consider or take into account the investment objectives or financial situation of a particular party.

MKS PAMP GROUP B.V. | World Trade Center - B Tower, 867 Strawinskylaan, Amsterdam, 1077XX
Netherlands

[Unsubscribe {recipient's email}](#)

[Update Profile](#) | [Customer Contact Data Notice](#)

Sent by news@mkspamp.com