

## Daily Asia Wrap - 29th January 2021

Range Asian Hours  
(from Globex open)

|      | GOLD       | SILVER   | PLATINUM | PALLADIUM |
|------|------------|----------|----------|-----------|
| OPEN | 1842.50/00 | 26.50/53 | 1073/75  | 2330/50   |
| HIGH | 1844.90/40 | 26.55/57 | 1080/82  | 2346/66   |
| LOW  | 1839.50/00 | 26.04/06 | 1066/68  | 2329/49   |
| LAST | 1843.00/50 | 26.13/15 | 1070/72  | 2333/53   |

### MARKETS/MACRO

A fairly risk on session last night with US equities clawing back a decent portion of their losses from earlier in the week. As expected, we saw some fairly outsized moves in some frenzied names favored by retail investors (reddit retail investors also moving in on silver yesterday), though the spill over to the broader market seemed far more contained last night. Markets steadied after the FOMC meeting, where the Fed stressed its commitment to extended monetary accommodation and pushed back against any lingering expectations of an early tapering. The Dow closed up +0.99% at 30,603.36, the S&P500 advanced +0.98% to 3,787.38 and the NASDAQ advanced +0.50% to 13,337.16. European equities were more mixed with the FTSE100 down -0.63%, the Euro Stoxx 600 flat at +0.01%, the DAX climbing +0.33% and the CAC40 outperforming and gaining +0.93%. In FX, the US dollar index cooled -0.3% to 90.54 with the EUR trading to 1.2140 and USDJPY down to 104.20. Elsewhere, treasury yields were higher, the 2 year yield firmed +0.4 bps to 0.121%, while the 10 year yield advanced +4.9 bps to 1.059%. Oil prices were mixed, Brent gained +0.2% on the day to \$55.57 while WTI gave up -0.4% to \$52.32.

On the data front, the advance estimate of US Q4 GDP rose +4.0% saar, or +1.0% q/q. That suggests a massive slowdown in the pace of recovery from 33.4% in Q3, with the economy still USD475bn below its 2019 Q4 peak. Personal expenditure rose +2.5% saar vs 41% in Q3 as spending on goods fell 0.4%. Non-residential investment rose +13.8%, exports rose +22.0% and imports rose +29.5%, while government spending fell -1.2% as the effects of the Q2 stimulus faded. Overall, the data shows consumers are still suffering and doing it tough as a result of the pandemic. Restrictions, a weakening jobs market and the end of the Cares Act were the driving factors. In Europe, German January inflation picked up strongly, rising +1.6% y/y vs -0.7% y/y in December. The sharp rise resulted from an end to the temporary VAT cut on 31 December, CO2 pricing and the rise in the statutory minimum wage at the beginning of the year.

### PRECIOUS

The retail frenzy that has occupied the headlines in recent days spread into the silver market yesterday. Conspiratorial social media posts on Reddit that the market is materially short are what is likely to have attracted the attention and pushed the metal higher. In line with the stocks that have garnered significant notoriety in recent days, the surge in spot silver which at a point hit a +7% daily gain, was primarily driven by low delta call option buying in the SLV Ishares Silver ETF. Over 1 mio calls (~100m ounces) were transacted in the etf today atm and at higher strikes. One UBS trader commented that it was "...by far the highest that I've ever remembered trading there". Vols and skew exploded as a result trading around the following levels towards the end of the day - 1m 55 3m 47 6m 45 1yr 43 1m rr y 1yr 10.5. Spot silver was trading sub \$25.00 early throughout the London morning and began to slowly meander higher into the NYK open to trade around \$25.30. As the market began to digest what was happening, the spot surged almost unabated to as high as \$26.96. Profit taking then emerged and it pulled back to \$26.10. It then chopped between \$25.65-26.65 with huge volumes exchanging on Comex. Please find here a link to the reddit post believed to have triggered it all ([https://amp.reddit.com/r/wallstreetbets/comments/l68ill/the\\_biggest\\_short\\_squeeze\\_in\\_the\\_world\\_slv\\_silver/](https://amp.reddit.com/r/wallstreetbets/comments/l68ill/the_biggest_short_squeeze_in_the_world_slv_silver/)). Gold was no slouch either, running as high as \$1863.70 on silvers initial surge. There

were plenty of macro names happy to sell into the strength between \$1850-65 however, so it retreated right back to where it started and closed the day out at \$1843. PGM's benefitted from silvers strength, platinum falling just short of \$1100 before coming back off. Palladium charging back through \$2300 after an early NY sell-off to hit a peak of \$2360 and ultimately closing at \$2340 in the middle of the spread. A wild day indeed!

It seemed investors were stunned and at odds with what to do in Asia this morning and as a result, price action was more contained and cautionary. Silver opened the session around \$26.50 and held either side of that level for the opening hour of trade. Some light profit taking in the half hour leading up to the china open saw the grey metal push down to the days lows. It did stop short of traversing \$26.00 and then has held relatively flat between \$26.10-25 since. Gold has also traded in restrained manner today opening at \$1842 and oscillating between \$1839-44 for the majority of the session. Should prove to be an interesting day ahead for Silver, particularly when NYK open. On the data front today look out for German, French and Canadian GDP figures and US Personal spending/income, PCE deflator, pending home sales and Uni of Michigan sentiment. Have a good weekend.

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