

Daily Asia Wrap - 6th January 2021

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1950.40/80	27.53/56	1111/14	2462/82
HIGH	1955.00/40	27.63/66	1113/16	2462/82
LOW	1942.30/70	27.19/22	1086/89	2430/50
LAST	1945.00/40	27.34/37	1097/00	2440/60

MACRO

Risk assets rallied last night in stark contrast to the first day of the trading year, as Georgians headed to the polls for the Senate runoff. Equities were solidly higher, led by oil/gas and cyclical names after Saudi Arabia went above and beyond at the OPEC+ meeting, signaling that the cartel would not only keep production stable, but cut an additional 1 million barrels a day in output, helping crude futures hit \$50, albeit briefly. The Dow added +0.55% to 30,391.60, the S&P500 gained +0.71% to 3,726.86 and the NASDAQ rallied +0.95% to 12,818.96 – energy (+4.53%) and materials (+2.53%) being the clear leaders on the day. European stocks were mixed on the day, with many nations continuing to grapple with rising covid numbers. The FTSE100 climbed +0.61% to 6,612.25, however, the DAX shrugged off -0.55% to 13,651.22, the CAC40 dipped -0.44% to 5,564.60 and the EuroStoxx 600 declined -0.19% to 400.94. The USD index eased -0.41% to 89.50, with the EUR/USD climbing to 1.23, USDJPY down to 102.65 and AUDUSD bouncing strongly off support at 0.7640 yesterday, to hit 0.7775 overnight. Elsewhere, treasury yields were generally firmer the 2y yield inching up +0.1 bps to 0.125% and the 10y yield continued to inch its way toward 1.0%, trading at 0.957% at the close.

On the data front, US ISM manufacturing for the month of December, rose to the highest level in 2 years, a remarkable print – especially given the escalating Covid case numbers across the country heading into the festive season. The final print came in at 60.7, following a 57.5 print a month earlier and 56.8 expectation. In Europe, German employment for December retracted -37k vs. an expected gain of +10k new jobs, which was slightly improved on the downwardly revised -40k previously.

PRECIOUS

The precious complex extended gains yesterday on the back of the weaker USD, in what was a more relaxed session than the previous day. Gold drifted off in early Asian trade yesterday, as some early profit taking was seen from fast money traders. The metal after opening around \$1943 slipped lower leading into the SGE open making its way toward \$1935. On the SGE open it dipped down to \$1935 and then traded sideways for a time between \$1938-41, before a dipping to the days low. It was around that time though that the USDCNH began to dive, which drove Chinese demand with investors starting to chase the premium. Spot gold rose as a result and punched back towards \$1950. The metal hovered around this level for the majority of London, some decent producer supply capping any further advance. Despite a brief dip to \$1940, ETF and macro demand remained strong and continued to buy into weakness. In the end we closed at \$1950. Gold has rallied an impressive +2.35% for 2021 and we suspect strength to continue, given lighter ETF positioning compared with last August (~4.5 million oz less than then). That said, it has been a +10.5% rise seen since the beginning of December with little in the way of capitulation, so we are wary of a short sharp clean out before the bull run resumes.

Gold opened in Asia today on the front foot and held well into the SGE open above \$1950, with dips below that level eagerly absorbed. As China stepped in gold rallied to the days high at \$1955, before the USDCNH started to push its way higher, which changed sentiment. The yellow metal held in fairly well oscillating either side of \$1950 for a good portion of the rest of the day. The Georgian Senator results began to filter in around lunchtime with early counts putting the Republicans ahead. Later in the day however it began to narrow, which weighed on the metals, gold falling off to the days lows. As I write, and with the majority of the election day votes counted and a number postal votes

remaining, it is deadlocked. Given that the higher proportion of postal votes are expected to swing the Democrats way however, it is looking more likely that the Democrats might get there by the narrowest of margins. Gold has remained under pressure as a result but is holding the \$1940 handle for now. Have a good day ahead.

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