

## Daily Asia Wrap - 9th March 2021

Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1683.20/70	25.11/13	1139/42	2318/28
HIGH	1691.40/90	25.43/45	1156/59	2327/37
LOW	1680.10/60	25.05/07	1138/41	2316/26
LAST	1689.50/00	25.30/32	1151/54	2322/32

### MARKETS/MACRO

Global equities started the week in spritely fashion as demand for cyclical stocks was driven by progress of Biden's recovery stimulus through Congress and as rising yields supported financials. The same cannot be said for tech names however, which dived to start the week. In the end the Dow gained +0.97% on the day to 31,802.44, the S&P500 recoiled -0.54% to 3,821.35 and the Nasdaq Composite plunged -2.41% to 12,609.16. Things were certainly more rosy in Europe with some sizeable gains seen across the major indices – the FTSE100 rising +1.34% to 6,719.13, the DAX surging +3.31% to 14,380.91, the CAC40 advanced +2.08% to 5,902.99 and the EuroStoxx 600 leapt +2.10% to 417.25. In FX, the greenback firmed against majors following a soft open in Asia. The DXY index gained +0.43% as the EUR/USD (-0.54%) declined beneath 1.19 and USD/JPY (+0.47%) tested towards 109.00 – levels not seen since June 2020. Yields consolidated close to recent highs over the course of the day, the 2y yield gaining +2.6 bps to 0.165% and the 10y yield extending +3 bps to 1.596%. Crude oil prices started the session strongly following a rebel drone attack on the world's largest crude oil terminal in Saudi Arabia at the weekend. Prices eased after it was reported that the drones were intercepted, and oil output appeared to be unaffected. Prices fell even further as the USD strengthened, Brent ending the day down -3.9% to \$68.06/bbl and WTI cooling -4.1% to \$64.69/bbl.

There was not a great deal of data available to kick off the week. The NY Fed's survey of inflation expectations one-year ahead rose to its highest level since July 2014 at +3.1%. The expected increase in gasoline and rents are at a record high (+9.6% and 9.0% +respectively), while expected spending growth is at its highest since December 2014. Fiscal stimulus, pent-up demand and the rapid vaccination rollout are underpinning the firmer price and demand outlook. Three year ahead inflation expectations remain unchanged at +3.0%. In Europe, the euro area Sentix survey of investor confidence rose to 5.0 in March from -0.2 a month earlier. That was the highest level since February 2020, before the pandemic unfolded across Europe. Current conditions rose to -19.3 from -27.5 and expectations improved to 32.5 from 31.5.

The US House of Representatives is expected to vote on the final version of the USD \$1.9 trillion relief package at some stage today. Assuming it finds the necessary support from progressive Democrats, President Biden will sign it into law before the current supplementary benefit support expires on the 14<sup>th</sup> of March. It is estimated that ~85% of Americans qualify to receive the full \$1,400 in stimulus cheques. The economic outlook therefore looks very constructive in the near term.

### PRECIOUS

Moves in the currency markets, particularly the stronger dollar, wreaked havoc on metals markets overnight with gold and silver continuing to slide to fresh lows. Early Asian interest in the yellow metal was seen from a host of retail and physical accounts, yet it failed to translate into a meaningful rally – capped around the \$1713-15 area. As European traders began to man their desks, the USD continued to grind higher against the EUR, JPY and GBP and put gold on the back foot. Selling was widespread across a host of longer term names, macro accounts and ETF's and was unrelenting throughout the session, with modest bounces eagerly sold into. The yellow metal hit the daily low of \$1677.50 late in NYK but managed to round out the day slightly firmer at \$1683.50 (-1.05% intra-day). ETF redemptions continue in size also, which continues to suppress the market. Silver, despite a brief tick below, held in well above \$25.00 through NYK, though remained heavy on the back of the stronger dollar and yields. PGM's traded with an offered tone, holding a narrow range.

Metals rebounded modestly in Asia today as the USD eased against most of the majors and yields declined - 10y off ~3 bps to 1.565%. Gold opened at \$1683.50 and proceeded to tick around \$1685 for the opening hour of trade. Shanghai opened for business and it held in pretty well, but soon slid

off to the lows of the day. As the morning progressed, the USD began to soften with EURUSD rallying 30 pips off its 200 dma to 1.1867, and USDCNH plunged from a 6.5626 high down to 6.5318. This prompted some bids across the metals, gold rallying \$10+ to the days peak. As the afternoon rolled on gold has stalled and is trading quietly just beneath \$1690 for now. Silver again tested toward \$25.00, but quickly rebounded and currently sits at \$25.35. Ahead today on the data front look out for: Eurozone 4Q GDP and employment and Italian industrial production. Have a good day ahead.

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