

US/European Daily wrap

- Powell was his balanced steady self at today's Senate Banking Committee Tuesday where he was questioned at his confirmation hearing for a 2nd term. However, as will likely be the case until the Fed actually hike/do something, he was not as hawkish as the market wanted or was positioned for.
- The US\$ fell, with DXY nearing 10day lows, and helping to force an unwind of weak Gold shorts, which especially accelerated through \$1810. It's risen for the 3rd day through \$1820, despite 1) Powell pledging to do what's necessary to contain inflation, 2) signaling that central bank will probably shrink its balance sheet in 2022.
- There was also some hawkish rhetoric from Fed presidents arguing for a March rate liftoff; Loretta Mester, a hawkish official favoring more interest rate increases than many of her colleagues, said on Bloomberg Television that she would favor hiking at March with three hikes expected this year. Raphael Bostic, also indicated in an interview with Reuters that a March policy rate change could be appropriate. Still Gold, and plenty of other commodities rallied (Oil surged past \$81, Copper through \$9700) and are simply pricing in that the Fed has a lot of catching up to do vs inflation trends. It's been too little (hawkish talk and tapering), too late. The idea of catchup (the threat of quantitative tightening), will have major consequences as money rotates through asset classes, especially speculative QE/COVID winners who piggybacked historically easy monetary & fiscal policies.
- Palladium plummeted \$60 in minutes to \$1860 but was quickly recovered, as Platinum benefited from the Gold and ZAR rally, touching \$980. Silver marched higher to \$22.80

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