US/European Daily wrap

- CPI came in on the nose at 7% YoY, its highest since 1982, but the markets – equities – was primed for the number, with major moves seen in the USD, which slid the most since May. The DXY broken through 95 with strong break up/out in GBP and EUR. That is very counterintuitive to the expected divergence in policy pace between the Fed (expected to hike as soon as March) and the ECB. The strong print was driven by auto prices, rent, airfares and medical services, but note that the pace of increases are slowing (from a high base), vs accelerating (from a low base) as was seen in 1H'21.

- Gold treaded higher, removing the selling pressure at $1825 (that was sitting at $1810 yesterday), but whether this is gold-specific buying due to entrenched inflation or on the back of large-scale US$ weakness is TBD. Given that Gold in most major currency crosses (XAUCAD, XAUGBP, XAUEUR) are largely flat-lower, reflects that its just being banged around on the back of other drivers. Overall, the irony in the last $40 gold move up (from $<$1790) is not lost on the market; Gold was disinterested trade and down when QE (quantitative easing) and inflation ignited in 2H'21, yet now with QT (quantitative tightening) all the talk, its waking up… Gold has not been linear hedge to inflation, and especially when the combined of fiscal and monetary stimulus simply corrupting traditional market ways of thinking, this associated "unwind" is creating some odd dislocations.

- The test for Gold, Silver (and platinum to an extent) in the short-term will be the end of rebalancing (January 13th), any reversal in the USD up, and higher real yields. $1830 and $23.40 are both targets above as the market has seemingly shifted from net bearish, to neutral to slightly bullish in a matter of days.

Approved for all external purposes

MKS PAMP GROUP Limited | 103 Cannon Street – 5th Floor , London , EC4N 5AG United Kingdom