

## Daily Asia Wrap - 2nd June 2021

Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
<b>OPEN</b>	1900.30/60	27.90/93	1195/98	2863/73
<b>HIGH</b>	1902.10/40	27.96/99	1198/01	2867/77
<b>LOW</b>	1895.00/30	27.73/76	1186/89	2845/55
<b>LAST</b>	1899.90/20	27.83/86	1190/93	2845/55

### MARKETS/MACRO

Equities mainly produced gains overnight as ISM manufacturing data revealed further improvements in May and optimism rose over EU plans to lift quarantine requirements for the fully vaccinated. The Dow added 45.86 points, or 0.13%, to 34,575.31, the S&P 500 slipped 2.07 points, or 0.05%, to 4,202.04, while the Nasdaq lost 12.26 points, or 0.09%, to 13,736.48. The energy sector (+3.93%) rose sharply while healthcare (-1.64%) led the laggards. European equities were higher, the EuroSTOXX rising 3.34 points, or 0.75%, to 450.10, the German DAX gained 146.23 points, or 0.95%, to 15,567.36, and the London FTSE 100 advanced 57.85 points, or 0.82%, to 7,080.46. Choppy trade in currencies overnight with the US dollar index finishing slightly lower at 89.03, the EUR at 1.2214, and USD/JPY at 109.47. US treasury yields were mixed, the 2 year yield adding 0.2 bps to 0.147%, while the 10 year yield ticked down 1.2 bps to 1.605%. Oil prices were higher, Brent firmed 0.4% to \$70.57 while WTI put on 0.4% to \$67.97. Base metals were mixed, with aluminium (-0.6%) coming under pressure.

On the data front, US May ISM manufacturing index rose to 61.2 vs 60.7, helped by firmer new orders (67.0 vs 64.3). The data continued to show that as the US economy recovers, firms are struggling to keep up with surging demand due to labour shortages, shipping delays and other COVID-related disruptions. Employment dropped to 50.9 vs 55.1 previously – with some arguing that enhanced unemployment benefits are weighing on labour supply, while prices paid remained elevated at 88.0 vs 89.6. Across the Atlantic, Euro area consumer prices rose 2.0% y/y in May (1.6% in April), above the ECB's target of "below, but close to 2%". However, the bulk of the rise was driven by higher energy prices. That's not the kind of inflation that the ECB is looking for when thinking about whether to taper asset purchases. Core inflation was more subdued, rising 0.9% y/y. In other data, the April euro area unemployment rate fell to 8.0%, comparing to a peak of 8.7% in September last year.

### PRECIOUS

It was a choppy session for gold and silver overnight, with strong demand seen throughout Asia and most of the European session only to be swiftly reversed during NYK. Gold opened on the front foot yesterday with some good clips of retail demand bidding us steadily higher. This continued following the SGE open, with onshore demand helping to drive spot metal prices higher also. We pushed through \$1915 to the days peak in early London, although a firmer USD and rising bond yields ultimately took some wind out its sails. Selling intensified during the NYK hours with the metal falling sharply below \$1900, yet good support still lurks at \$1890-95, which we believe is critical in order to maintain upward momentum. Silver was even more volatile than gold, flirting with \$28.00 on the downside in early Asia, then pulling away and trading higher into the afternoon following strong Chinese onshore demand. It did a bit of work between \$28.15-30 for the majority of the European session and drove higher on the back of macro demand in the lead up to the NY open pushing through \$28.50 briefly. As gold began to falter, silver came crashing lower back through \$28.00 and never recovered. We got as low as \$27.85 late in the evening and closed around \$27.90 – technically, far from a rosy end to the day. PGM's after a bout of weakness throughout the London session recouped well, following the better than expected data, with both closing firmer on the day.

It has been a slow, but heavy day for the precious in Asia thus far characterised by much lower premiums on the SGE for both gold and silver. Gold opened up just beneath \$1900 and initially ticked up following some light fast-money profit taking in early trade. Moderate sized producer supply coincided with Chinese selling to drive the metal lower into the afternoon, yet remaining above the \$1890-95 support for now. The SGE premium for gold collapsed during the afternoon session to as low as -\$14 after trading at a premium toward USD \$6 in the morning. The stop loss run looked to be

a reaction to AML headlines out of China regarding precious metals on the exchange, however it's been difficult thus far to find further details. The decline put pressure on spot gold prices to see a USD \$1,895.00 low printed, however declines have so far being confined to a narrow range. Silver saw heavy selling above \$27.95 in the lead up to the Shanghai open and beyond and retreated back to a low of \$27.76 – some \$0.75 lower than last night's peak. The white metals remain range-bound with platinum unable to pivot back above USD \$1,200 today.

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