

Daily Asia Wrap - 21st May 2021

Range Asian Hours
(from Globex open)

21-May-21	GOLD		SILVER		PLATINUM		PALLADIUM	
	Bid	Offer	Bid	Offer	Bid	Offer	Bid	Offer
OPEN	1875.10	1875.70	27.7250	27.7550	1200.00	1203.00	2846.50	2861.50
HIGH	1879.00	1879.60	27.8000	27.8300	1204.00	1207.00	2862.50	2877.50
LOW	1870.40	1871.00	27.5900	27.6200	1198.50	1201.50	2825.00	2840.00
LAST	1876.30	1876.90	27.7300	27.7600	1203.50	1206.50	2835.50	2850.50

MARKETS/MACRO

Equity markets regained their footing overnight on the back of a stabilisation in crypto currencies after yesterday's extreme volatility and a larger than expected drop in the US initial jobless claims. The Dow gained +0.56% to 34,084.15, the S&P500 advanced +1.06% to 4,159.12 and the Nasdaq led the pack on the back of strength in tech stocks, rallying +1.77% to 13,535.74. Euro area stocks also had a positive session, the FTSE100 gained +1.00% to 7,019.79, the DAX climbed +1.70% to 15,370.26, the CAC40 leapt +1.29% to 6,343.58 and the EuroStoxx 600 tacked on +1.27% to 441.90. USD traded on the back foot today in what was a relatively quiet session in the absence of any major events or developments. The overnight weakness in the USD continued as NY walked in and the greenback reached the lows by mid-day. EURUSD rallied up to a high of 1.22265, USDJPY fell to 108.75 and AUDUSD rallied up to 0.77815 as the DXY pared its post-FOMC minutes gains and approaches its January lows (89.75). USDCAD mirrored the broader USD, falling to a low of 1.20485 as the release of the BOC FSR was a nonevent. US treasury yields were softer on the day, the 10y falling -4.1 bps to 1.627% and the 30y falling -4.4 bps to 2.331%. Crude oil fell to a one-month low as traders become increasingly concerned about the likelihood of the removal of sanctions on Iran. President Hassan Rouhani said the world's powers have accepted that major sanctions on Iran will be lifted. WTI fell -2.6% to \$62.05 as a result, while Brent cooled -3.0% to \$64.87.

On the data front, The May Philadelphia Fed Business Outlook Index fell to 31.5 vs 50.2 in April – a solid print, but below market expectations of 41.5. The inflation components continue to accelerate: prices paid rose to 76.8 vs 69.1 and prices received rose to 41.0 vs 34.5 – the highest levels since the 1980s. Employment was weaker at 19.3 vs 30.8, but the average workweek bounced back to 35.5 vs 29.8 suggesting the workforce is operating at higher levels of capacity. A mix of rising inflation, rising delivery times and falling employment reflects the growing pains, with the most unfilled orders in the survey since 1973's oil embargo. Jobless claims fell further than anticipated to 444k vs an upwardly revised 478k (450k expected).

PRECIOUS

It was a mixed day for the precious complex yesterday with gold remaining volatile in a \$20 range and ultimately closing marginally firmer. The yellow metal was softer initially in Asia, giving up \$5 or so leading up to the SGE open. Once the China market opened, after a brief dip, the gold managed to catch a bid and trade into the mid \$1870's. Some profit taking ahead of the NYK saw a brief retracement, but macro demand on the dip emerged and continued to push us to the days peak (\$1,883.60), in line with the softer USD and falling yields. We closed at \$1,877 or +0.4% on the day. Gold still holds firm above the 200 dma and technically and fundamentally still looks good to us. ETF inflows have slowed over the past few sessions however and we will continue to monitor this over the coming sessions. Silver oscillated between \$27.50-28.00 for the majority of the day, despite a brief break to \$27.40 in early Asia yesterday. Decent offers around \$28 were visible, but retail and private bank buying on dips is still ongoing. Platinum managed to pop back through \$1200 yesterday and closed just above that level, while palladium after catching a bid throughout the Asia session, progressively gave back all the gains and some to close at \$2,855.

A slow session in Asia today with the metals all confined to familiar ranges and flows noticeably quieter than the previous few sessions. Gold opened at \$1875.50 and very gradually made its way lower over the course of the morning. There were some resting bids just ahead of \$1870 (cash) on EComex which supported proceedings and steadied the metal. As I write the gold has slowly progressed back towards the opening levels. As mentioned earlier though, flows are noticeably lighter than what we have seen over the past sessions. Silver found support at \$27.60 and has held around the \$24.70 for the majority of the afternoon. Palladium has been the big mover of the day, some early profit taking pushing us to the peak, only to be slammed lower around the Chinese open to the tune of \$50. It still remains weak as I write. Have a good day ahead and a nice weekend.

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