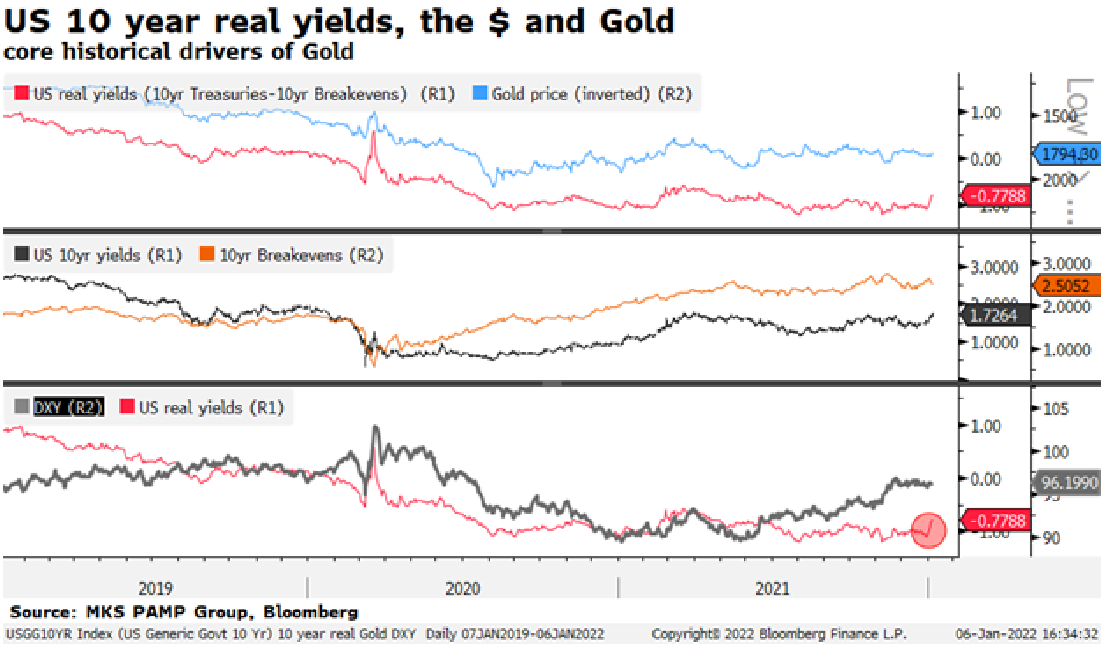
European Daily wrap



- Since yesterdays super hawkish FOMC, which have reeled interest rates & tech, Gold and Silver extended declines somewhat, with Gold down $40 and Silver down $1.20 (at time of writing) from yesterdays top.

- **The divergence in US nominal yields and US Breakevens is just very notable.** Inflation expectations are coming down, but nominal yields are rising on expectation of stronger recovery (and faster Fed taper/hike), which has spiked real yields dramatically (panel 3 red line). **That's a short-term move in real 10 yr yields, the markets haven't seen since March 2020 (pandemic D-day) which wreaked havoc in both FX mkts/US$ and Gold; and it was simply induced by the Fed (and the 'urgency' to inflation ahead of midterms by some thinking)**

- One of Golds strongest correlations with real 10yr yields at -0.91 (seen over the past 10yrs from Dec 2011-Dec 2021). **With real 10yr yields at -0.79 now (the highest since the Taper FOMC in June 2021), the model implied gold price is $1734** (using simply regression); Gold is either holding up relatively well by $60 (due to*) or there's further downside. The $1750/55 level is the next line in the sand and its the December FOMC low price (when tapering was announced). **Gold *should* sniff lower, but its holding in relative to both the massive move in real yields and vs Silver. Any further gyrations in US equity markets today will lend pressure in the short-term to Gold, but those dips are usually ones to capitalize on (for longerterm outperformance)**

**due to physical demand, preemptive index buying, continual ETF buying, or fresh investor buying ahead of expected Fed policy mistake?*

Gold vs Silver ETF trends:

- Gold ETFs have been steadily allocating to gold all year/week (its been the 7th straight day of increases). They've added 336K oz since Dec 28th which is in line with seasonal trends (on ave in January, 880k oz of ETFs are added in January, and the current pace (+56K oz/day) is slightly above past trend pace (+44k oz/day). Net net a mild tailwind for price and supportive of price dips.

- By contrast, Silver ETFs have been hemorrhaging since the beginning of December, with 21mn oz of sales. Thats a pace of -800k oz/day and somewhat in line with past deleveraging periods (June '21, Q1'21). So far this year outflows are down only slightly, which is aligned with seasonal January trends (on average the past 10yrs, 3mn oz exit in January).

- Platinum, like Gold, also sees steady inflows in January with +51K oz of additions on average

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