European Daily Wrap

- U.S. equities begun the day a little changed after they (SPX) staged its biggest 2-day rally in more than a year, as markets begin to price in actual data (not fear and heavy handed policies) together with responding science (Pfizer & BioNTech said early lab studies show a 3rd dose neutralizes the omicron variant). The tactical setup is that a "Santa Clause rally" in risk is increasingly likely, but with peak stimulus clearly behind us, theres a growing narrative that we have stolen some performances from the future and 2022 is going to be bumpier/trickier for equities; the read through for precious is macro fear should create an underlying bid. For now, with omicron concerns continuing to fade, the attention will shift back to data including CPIs nos on Friday, the Fed and the outlook for growth in 2022.

- Golds attempt to reclaim $1800 was cut short by the reversal in US yields as 10yrs reclaimed 1.5%, and 2yr yields putting in yet another new high, at 0.7%.. The short/long end (2s/30s) yield curve continues to flatten at rapid rate, highlighting the concerns with longer term growth, but these structural issues are currently not influencing the gold price. Despite the recent rise in geopolitical risk (additional sanctions on Russia due to Ukraine issue/potential invasion, US/China Olympics spat), these are demoted event risk in the face of Omicron and subsequent rotations in macro risk, which have not contributed any bid to Gold. Its about the Fed, short-term real rates (not curve structure), and seasonal flows into yearend. PGMs, like Gold, remain contained with recent ranges (Platinum >$950 and Palladium <$1900), despite the strong correction in the ZAR strengthening to 15.70 vs the USD

**Approved for all external purposes*

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