



INSIDE THIS ISSUE

Gold

Gold down .73%

Silver

Silver down 15.15%

Platinum

Platinum down 9.07%

Palladium

Palladium down 42.5%

MARKET UPDATE

2021 THIRD QUARTER

In the third quarter of 2021, gold prices struggled with news of accelerated taper talk, but benefited from the pandemic gaining strength. Gold prices ended the quarter modestly lower at \$1,757.00/oz, down \$13, or 0.73%. Silver prices were impacted more significantly, dropping nearly \$4 in a 15.15% decline to \$22.17. Palladium, however, was the largest loser. Based on LBMA PM Prices, palladium prices lost an astounding \$808, or 42.5% to \$1,899. Platinum prices shed \$96, or 9.07%, to settle the quarter at \$963. Platinum and palladium prices suffered from reduced demand because car companies cut production due to microchip shortages. With three-quarters of 2021 in the books, for the year gold prices are 7.55% lower and silver prices are down 16.08%. Platinum and palladium prices are 9.8% and 18.9% lower, respectively.

In July, spot gold prices marched \$44 dollars higher to \$1,814, for a gain of 2.48%. Demand was fanned by lower interest rates. Treasuries rallied on the back of weak economic data, dovish comments from Federal Reserve Chair Jerome Powell, heightened concerns about the more contagious Delta variant and initial news about China Evergrande's financial troubles. By the 15th, real yields, as measured by 10-year Treasury Inflation-Protected Securities (TIPS) stood at minus 1.01%, a level not seen since February. As a reminder, negative interest rates make gold, a non-interest-bearing instrument, relatively more attractive to own. Having traded the month's low of \$1,771.70 on the 1st, by the 15th futures had traded as high as \$1,839. The Delta variant had raised Covid's 7-day rolling average global death rate over 4% from the 3rd to the 15th.

During the last 2 weeks of July, gold prices relinquished half their mid-July gains. However, a month end rally was in store. On the 29th, Powell said a rate hike any time soon was unlikely. Q2 GDP was nearly 2% less than anticipated. On the 30th, 10-year TIPS yields hit an all-time low of minus 1.16%; yields for similar notes in the UK and Europe also traded record lows. The 7-day rolling average of global deaths from Covid had climbed 16% to 9,200 by the 30th. Futures rallied to \$1,837.50 on the 29th. Gold closed the month at \$1,814 spot.

The white metals slumped on slower recovery concerns and supply chain issues. Silver prices relinquished \$0.64, or 2.45%, to settle at \$25.49. The LBMA PM Platinum Price fell \$15, or 1.4%, to \$1,044 in July. The LBMA PM Palladium Price lost \$49, or 1.81% to close at \$2,648.

August featured changed messaging from the Fed, a modestly stronger dollar, and surprising economic data. Despite a month of high price volatility that included a “flash crash,” spot gold prices ended the month practically unchanged, at \$1,183.75.

Prices had a \$158 range between the 4th and the 8th. Following a weaker ADP private payroll report on the 4th, gold futures traded the month’s high, \$1,835.90. However, on the 5th, Federal Reserve Vice Chair Clarida said tapering could start this year and rate hikes by the end of 2022. Gold futures dipped to \$1,799.70. The strong unemployment data on the 6th shocked the market. Futures traded over 2% lower, dipping to \$1,759.50. Gold’s decline continued dramatically on Sunday night, the 8th, when December futures quickly traded as low as \$1,677.90 but rebounded in a flash to above \$1,700.

Due to supportive factors, every day for the next six the gold market made new highs as it recovered from the move. The Coronavirus 7-day rolling global death rate continued to rise; in just 10 days in August, the death rate was nearly 7% higher at 9,840. Modest CPI numbers on the 11th also encouraged bulls. By the 17th, futures traded as high as \$1,797.60. On Monday the 30th, they traded \$1,826.50, less than \$10 from the month’s high seen on the 4th. Prices had rallied following Powell’s Friday comments that tapering likely will begin before year end, but rate hikes are not imminent as there is “much ground to cover” on employment. Spot gold prices closed August at \$1,813.75, down just \$0.25; essentially, unchanged.

In other metals, silver and palladium also experienced exceptional volatility in August. Spot silver prices had a range of \$3.78 and fell \$1.60, or 6.27%, to \$23.89. Palladium futures prices had a \$441 range and based on the LBMA PM Price, posted a decline of \$166, or 6.25% to \$2,492. Platinum futures prices had a \$73 range and the LBMA PM Price fell \$43 to \$1,001.

September’s range for gold prices was also wide, but prices were less volatile as prices declined to \$1,757 by the end of the month. Except for an upswing in the latter part of the month attributed to the Evergrande crisis, the trend was generally one direction: down. Gold futures traded the September high on the 3rd at \$1,836.90 following a weaker than expected jobs report, seen as particularly concerning against the backdrop of increased Covid infections. Futures prices tumbled the next trading session, falling 1.6% to touch \$1,793.70. A stronger dollar and higher interest rates weighed on the yellow metal that day and for the rest of the month in general. 10-year Treasury yields, having closed August at 1.30%, had risen to 1.38% by the 7th; by the 28th they had broken the psychological 1.50% level, a level not seen since June. (TIPS yields became less negative during September, moving to minus 0.85% by month’s end). The US Dollar Index gained over 1.7% during the month. Some investors felt tapering would be speeded up, bringing higher interest rates sooner and as a result, perhaps less demand for gold. Following the surprisingly strong retail sales report on the 16th, gold futures lost nearly 3% and dipped as low as \$1,745.50. On the 23rd, the Fed indicated it may raise rates earlier than expected. Gold prices fell 1% as gold futures traded as low as \$1,737.50. On the 29th, gold futures hit their September low of \$1,722.90. Gold prices bounced to close the month at \$1,757 in spot, but still lost \$56.75, or 3.13%, for the month.

Spot silver prices lost \$1.72, or 7.2%, to close September at \$22.17. Automakers cut production due to chip shortages, decreasing demand for platinum and palladium. The LBMA Palladium Price fell \$593, or 23.8%, to \$1,899 while the LBMA Platinum Price fell \$38, or 3.8% to \$963.

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