

First Quarter

2021 MARKET UPDATE



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Gold

Gold down 10.19%

Silver

Silver down 7.57%

Platinum

Platinum up 13%

Palladium

Palladium up 8.15%

MARKET UPDATE

2021 FIRST QUARTER

In the first 3 months of 2021, gold prices snapped a streak of 8 consecutive quarterly advances by falling 10.19%. The prospect of massive financial stimulus to combat Covid-19's destructive impact on the economy—to which, ironically, many attribute gold's December rally—worked against gold in the new year. Concerns about the resulting inflation from President Biden's plans led to a sharp rise in interest rates and a steepening of the yield curve, making the non-interest-bearing metal unattractive. In the first quarter, gold prices slumped \$193.50 to \$1,707. A rally in silver prices grabbed the headlines briefly, but they too fell in the quarter, dropping 7.57% to \$24.42 for a loss of \$2.00. Positive results were seen in the PGMs, however. The green economy investment theme and Norilsk's production issues took palladium prices higher by \$200, or 8.15%, to \$2,654, while platinum prices provided a big quarterly return, tacking on \$139, or 13%, to close March at \$1,209.

January



Gold prices began the year trading \$1,898, and its' haven status appeared to be well intact: new variants of Covid-19 could mean more shutdowns across the economy while the dollar languished near two-and-a-half year lows. On the 6th, the same day that the riot and violent attack on the Capitol occurred, prices touched \$1,959.50, the high for the quarter. But prices fell \$31.00 on the day and much more on the 8th, when they cratered to \$1,828.50. Market participants sold gold heavily as the results of the Georgia Senate runoff unfolded—one blue victor had been declared and the second was also anticipated to be Democratic. Long liquidation in gold occurred as 10-year treasury note prices moved above 1% (having closed 2020 at 93 basis points), the yield curve steepened, and the dollar rallied. By the 18th, gold prices had touched their January low of \$1,802.50. At month's end, gold prices recovered to \$1,861.00 to post a monthly decline of \$40.00, or 2.08%.

The end of January featured unprecedented publicity and new interest in silver. Silver had captivated Game Stop traders, who are attracted to markets that they believe are short. Silver prices had closed at \$25.27 on the 26th. On the 28th they traded up to \$26.98 and on the 29th rallied up to \$27.66. On the 31st, prices rocketed to \$30.12, as the silver ETF saw its largest daily inflow ever—nearly \$1 billion. Silver prices closed January at \$27.00 for a monthly gain of \$0.58 or 2.20%. Platinum prices strode ahead as traders and investors perceived the metal to be undervalued given its fundamentals and especially compared to the prices of the rest of the complex. Palladium prices added \$50, or 4.67%, during the first month of 2021 to finish at \$1,120.00. However, palladium prices fell significantly as market participants considered the large premium it held over platinum. Palladium prices fell to near \$2,200 on the 28th and on the month lost \$215.00, or 8.76%, to close January at \$2,239.00.

February

Interest rate increases continued in February – the 10-year Treasury note added 33 basis points on top of the jump of 18 basis points in January. The S&P gained 2.61%, reflecting a “risk on” attitude by investors. Against this backdrop, money managers continued to sell gold, which dipped to \$1,717, a level not seen since June 2020. Gold priced slumped \$126.70, or 6.8%, for the month to \$1,734.50. In silver, there was no follow up to the “Reddit rally” as money managers sold the grey metal. Silver prices relinquished \$2.47, or 8.5%, to settle at \$26.58.

Meanwhile investors continued to be drawn to platinum due to its clean energy applications and demand from the auto sector expected to accompany the anticipated strong economic recovery. Platinum prices added \$70.00, or 6.25%, to close February at \$1,190. Palladium prices also moved higher on the month as Norilsk announced production issues. Palladium prices added \$102.00, or 4.56%, to close at \$2,341.

March

Gold prices declined again in March and again the drop can be attributed to an upward move in interest rates in anticipation of massive Washington fiscal stimulus; the 10-year Treasury added 30 basis points during the month and ended the quarter yielding 1.74%. Other negative factors for gold prices during the month included a 2.12% rally in the US dollar index and a 4.25% gain in the S&P. On the 4th, gold prices slipped below \$1,700. Federal Reserve Board Chair Powell indicated the Fed was in no rush to change its supportive policies, despite the sharp move higher in interest rates. A rise in inflation would be temporary, he suggested. On the 8th, gold prices traded \$1,677, the quarter's low. By the 17th, gold prices had rebounded to \$1,750. Gold prices closed the quarter on a weak note at \$1,707, for a loss of \$27.50 or 1.59%. Silver prices also declined in volatile trading, giving up \$2.16, or 8.13%, to close March at \$24.42.

In the PGMs, palladium prices soared as Norilsk's mining issues continued. Platinum prices were also positively impacted. Palladium prices ended the month at \$2,654, up \$313.00, or 13.37%. Platinum prices added \$19.00 or 1.60% to close the quarter at \$1,209.

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