



MKS PAMP  
GROUP

## Daily Asia Wrap - 10th September 2020



Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1946.00/7.00	26.95/99	917/27	2282/22
HIGH	1950.30/1.30	27.18/22	920/30	2290/30
LOW	1943.30/4.30	26.85/89	912/22	2273/13
LAST	1946.30/7.30	27.07/11	918/28	2285/25

### MARKETS/MACRO

There was a bit of a reprieve for risk assets across the board overnight as US equities found some semblance of support after dropping close to -10% in the last 3 trading sessions. The outperformance was led by some of the badly beaten up tech names, while cyclicals lagged. In the end the Dow Jones clawed back +1.6% to 27,940.47, the S&P500 advanced +2.01% to 3,398.96 and the tech heavy NASDAQ led the charge gaining +2.71% on the day to close at 11,141.566. European stocks traded higher also the FTSE100 up +1.39% to 6,012.84, the DAX rallying +2.07% to 13,237.21, the CAC40 climbing +1.4% to 5,042.98 and the EuroStoxx 600 added +1.62% to 369.65. In the FX space, we saw the dollar stage a bit of a retreat amid the broad risk-on sentiment. Helping the move, the ECB was said to be announcing slightly more optimistic forecasts than expected, helping to send Euro up to 1.1830 ahead of this evening's ECB meeting. Separately, the FT had reported that the AstraZeneca vaccine trial may continue in the coming week after earlier reports mentioned its stage 3 trial was placed on hold following a safety scare. The other outsized mover was Sterling, paring some of its earlier losses against the dollar after the EU determined that it would not suspend Brexit talks with the UK in response to the UK's internal markets bill. Elsewhere, US treasury yields were higher, the 2y firming +0.6 bps to 0.145% and the 10y up +3.0 bps to 0.697%, while Brent crude rose +2.5% to \$40.59 and WTI accelerated +3.3% to \$37.78.

Ahead tonight the ECB will meet for its monthly policy decision. It will update its macroeconomic projections and there were some reports on Wednesday that it has become more confident in its economic forecasts - though clearly downside risks remain. That isn't the same thing as saying it is more positive on the economic outlook, with no material changes expected to the forecasts; there may be some small revisions higher as lockdowns lift. But the central bank's mandate is inflation, and that has been very weak. Although some transitory and measurement issues have been at play, this should make policymakers cautious. How the ECB will address the very low inflation backdrop alongside the still significant output gap will be the test in the months and quarters ahead and avoiding deflation is critical. ANZ bank research expect that the statement and press conference will make clear that the ECB will do more if necessary to achieve its aims, and there are options around the expansion of asset purchases or repurchase operations, in particular. The ECB will continue to support fiscal stimulus at an EU and national level, and work to encourage the expansion of credit. However, working against EUR strength is likely a bit more challenging given that policy rates are already deeply negative.

## **PRECIOUS**

Gold prices rebounded yesterday on a softer dollar and after bouncing off the \$1900-1910 support zone (again) a few days earlier. Gold traded a modest \$10 range throughout the majority of the Asia session yesterday between \$1923-1933, with the Greenback remaining strong - EURUSD probing trendline support between 1.1750-60 for most of Asia. Gold drifted lower throughout the European morning session, although the sharp reversal of the USD in early NYK helped to prop up the metal and saw gold surge higher and sit above \$1940. We briefly hit a high above \$1950 later in the session and closed around \$1947. Despite the good push higher flows remained fairly subdued with larger Macro players staying out of things. For now it appears we still are stuck in a range with strong support at \$1900-10 and strong resistance at the recent highs \$1985-92. Swaps were bid higher up to 9mths, with gold lease rates in particular higher in the short term. In Shanghai, the SGE discount paused its 3-week climb, faltering from -\$47/oz back down to -\$54/oz under spot. Silver gained ground overnight reclaiming the \$27 handle on light flows. PGM's looked good yesterday, assisted by the firmer risk and equity markets, platinum trading back above \$920 and palladium closing just off the highs right on \$2300.

It has been a reasonably subdued day in Asia today, with modest volumes trading (21k lots GCZ0 at time of writing) and ranges contained. Gold after opening at \$1946 has tried up above \$1950 twice so far this session, but has been unsuccessful in holding above there - with some sizeable iceberg orders on Globex capping momentum. Since then we have been holding a steady \$1945-47 range. Silver has held onto \$27 and sits just above there as I write. The SGE discount has been bobbing between -\$50/oz and -\$48/oz so far, a slight improvement from yesterday. Silver is currently holding above \$27 on the day and both platinum and palladium are flat for the day. Ahead the main data/events for the day include: French and Italian IP numbers, the ECB monetary policy decision and US PPI, jobless claims and wholesale inventories. All the best and good day ahead.

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