



MKS PAMP
GROUP

Daily Asia Wrap - 11th June 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1737.80/8.80	18.11/14	828/58	1936/76
HIGH	1738.60/9.60	18.13/16	832/56	1939/79
LOW	1727.20/8.20	17.79/82	811/41	1898/38
LAST	1727.20/8.20	17.79/82	814/44	1905/45

MARKETS/MACRO

The Fed delivered no change in its policy stance overnight as was generally expected. There was some speculation that an announcement on yield curve control - targeting a yield with QE - might have been on the cards in order to strengthen forward guidance, with Fed Chair Powell confirming at the press conference that it is a possibility being discussed. The Fed noted that financial conditions have improved, limiting the need for further action in the near term. But it is clearly willing to do what is necessary, with unlimited QE giving it options, "Policy will be stimulatory for a long time". The Fed's forecast 'dots' showed rates unchanged through 2022, with only 2 individual dots suggesting a hike in 2022. GDP is not expected to recover until 2022 and again "considerable risks" were cited to the outlook. The US dollar continued to trade weakly following Powell's dovish tone in the press conference, EURUSD rallying to a fresh high of 1.1422, AUDUSD rose to 0.7069 and the cable spiked up to 1.2812, as the DXY cooled to 95.71. Equity markets were mixed, the Dow retreating -282.31 points (-1.04%) to 26,989.99, the S&P500 slid -17.04 points (-0.53%) to 3,190.14 and the NASDAQ Composite advanced +66.59 points (+0.67%) to move back through 10,000 points and close at 10,020.35. In Europe, equities saw some liquidation ahead of the FOMC and eased on the day. The FTSE100 dipped slightly -0.10% to 6,329.13, the DAX slid -0.70% to 12,530.16, the CAC40 was down -0.82% to 5,063.42 and the Euro Stoxx 600 fell -0.38% to 368.15. The recent rally in crude oil prices

stalled as rising inventories showed the path to a recovery will be a rocky one. Stockpiles of crude in the US rose 5,720k bbl last week, much higher than the market expected. Inventories of gasoline and distillate fuel also rose, causing concern that the recent pick-up in demand had plateaued. This came as COVID-19 cases numbers in some key US states rose.

In other data, French industrial production data contracted sharply in April (-20.1% m/m, -34.2% y/y) and there is little evidence, in high frequency labour market data, that workers are returning to work quickly. Euro area finance ministers will meet today to discuss the EU's recovery package. In the US, May headline and core CPI fell 0.1% to 0.1% y/y and 1.2% y/y, respectively. This was slightly below expectations, leaving three-month annualised core CPI at -2.4% saar, the weakest reading on record for that series - deflationary risks are clear.

PRECIOUS

Gold rallied strongly during NYK yesterday after the Fed noted that low interest rates were here to stay. Chair Powell signalled that asset purchases would continue at the present pace or greater, while rates will remain near zero through to at least 2022. We did see some liquidation into the meeting with specs and leveraged players reducing their exposure in the hours leading up to the release. Gold fell off early in the NYK morning and did a bit of work in the mid to low \$1710's. Once the FOMC decision was released it initially spiked lower, in line with a briefly rising USD, although quickly changed direction and rallied strongly back to just short of \$1740. We closed just off the highs in what was a very constructive session for gold. Silver also had a very strong session, rallying late in the day in London only to be whacked back to the opening levels in early NYK (~\$17.55). Once the FOMC dropped the white metal soared to trade above \$18.10 in the late stages of the session and ultimately close above that level. Given the lower for longer mentality confirmed after last night's meeting, we believe gold and silver should continue to push higher in the coming sessions.

It was a consolidating session in Asia today, with gold and silver giving back some of the overnight gains as some profit taking weighed on both metals. We opened close to the highs of the day in gold and we gradually ticked lower over the course of the day. Chinese traders were on the offer at the open in gold and silver and both continued to creep lower over the afternoon. Flows were moderate, with turnover in August Gold sitting at 25k lots after 7.5 hours of trade. All the best, good luck for the day ahead.

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