



MKS PAMP
GROUP

Daily Asia Wrap -11th May 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1702.30/1.30	15.51/54	768/71	1881/31
HIGH	1710.90/1.90	15.60/63	779/82	1921/51
LOW	1701.50/2.50	15.47/50	768/71	1880/30
LAST	1705.40/6.40	15.55/58	774/77	1910/40

MARKETS/MACRO

An eye-watering 20.5 million US workers lost their jobs in April, which saw the unemployment rate triple in just one reporting period to 14.7%. The hope is that many layoffs will prove temporary – 80% of displaced workers believe they are – but clearly the path forward is highly uncertain. On top of an April that saw a decade's worth of job-creation lost, May is likely to see more job losses regardless of the path of the pandemic. Low-wage labour in hospitality and retail in particular bore the brunt. The US labour market is however very flexible, for good and ill, shedding and adding jobs at a bewildering pace. Despite the dismal data, it was not as bad as some economists had expected and risk rallied as a result. The Dow Jones rallied +455.43 points (+1.91%) to 24,331.32, the S&P500 tacked on +48.61 points (+1.69%) and the NASDAQ Composite rose +141.66 (+1.58%) to 9,121.32. It was a similar situation in Europe, with markets pushing higher in spite of the impending job reports in the US. The DAX climbed +1.35% to 10,904.48, the FTSE100 gained +1.4% to 5,935.98, the CAC40 advanced +1.07% to 4,549.64 and the Euro Stoxx 600 pushed up +0.91% to 341.05. Crude oil prices continue to find support from increasing supply cutbacks amid the improving macro backdrop, with WTI up +2.4% last Friday to \$24.74 and Brent rallying +3.2% to \$30.97. The US shale oil industry has been hit hard by the lower prices, with drilling activity already curtailed sharply. Last week saw another 34 rigs grounded, bringing the total active units to only 374. Last week was also the first full week of the new quotas under the OPEC+ supply agreement. Russia, who has struggled to meet

production targets in the past, has assured the market that output will be quickly curtailed in coming weeks. Elsewhere, the US dollar Index remained flat at 99.83 and US treasury yields were firmer the 2y up +2.4 bps to 0.157% and 10y up +5.1 bps to 0.683%.

On the data front, apart from US NFP's, German exports plunged -11.8% m/m, the biggest since records began in 1990, while imports fell -5.1%. Output in Germany's car sector dropped by 31% in April, while business confidence is at a record low.

PRECIOUS

It was a mostly subdued session for precious metals on Friday. It was a typical pre-NFP session in Asia with little in terms of ranges and turnover. It was also a UK holiday which meant little action throughout the European session. Gold drifted to the days high during the early European hours (\$1722), before swooping lower following the release of the US employment data. The metal then rallied back towards the highs, but then risk markets started to rally and the yellow metal proceeded to sell off for the rest of the session to close just off the lows around \$1706. Silver closed Friday up slightly at \$15.48 – with more interest seen from a number of sources, which could continue into this week and help the metal remain firm.

Gold opened on the front foot this morning, with some fast money types looking for bids in early trade. Decent buying rested around the \$1700 (cash) level on Globex futures as well, which kept things buoyant during the early hours. Gold ticked higher into the China open, with the discount diminishing from what was seen last week and trading around -\$35.00 to -\$32.00 relative to the spot price. Gold shot \$10 higher as a result of the lower discount through \$1710 and has just fallen back below there as I write. The metal has tried to hold onto \$1710 since, although has just fallen back below there. We expect support at \$1700 and resistance still toward \$1720-30. Have a good day ahead.

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