



MKS PAMP
GROUP

Daily Asia Wrap -12th May 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1697.30/8.30	15.46/49	763/68	1905/35
HIGH	1702.50/3.50	15.53/56	767/72	1915/45
LOW	1693.50/4.50	15.33/36	758/63	1887/17
LAST	1701.20/2.20	15.51/54	767/72	1898/28

MARKETS/MACRO

It was a mixed session overnight with US tech stocks again outperforming – the Nasdaq starting the week well, while large cap cyclical names dragged on the rest of the broader market. US equities had started the session on softer footing, although a steady stream of bargain-hunting helped us come well off the lows ahead of a plethora of Fed speakers later this week. With that in mind, it seems Fed officials are becoming more vocal in discounting the possibility of negative rates with Evans joining his fellow Fed peers in talking down the prospect last night. In the end the NASDAQ closed up +71.02 points (+0.78%) at 9,192.34, the S&P500 was flat at +0.52 points (+0.01%) 2,930.32 and the DOW was down -109.33 points (-0.45%) at 24,221.99. Across the pond, Euro stocks cooled with the DAX easing -0.73% to 10,824.99, the CAC40 down -1.31% to 4,490.22, the Euro Stoxx 600 down -0.4% to 339.70 and the FTSE100, which held flat, up +0.06% at 5,939.73. Supply side issues continue to drive sentiment in the crude oil market. Brent crude futures rallied sharply after Saudi Arabia said it would increase its production cuts by more than pledged under the recent OPEC+ supply agreement. It aims to pump just under 7.5mb/d in June, compared with its official target of 8.5mb/d. This would take its output to the lowest level since mid-2002. The United Arab

Emirates also announced it would cut by an additional 100kb/d in June. However, the rally in Brent and WTI crude was relatively short lived, with the market dubious as to the ability of producers to implement and sustain the cuts. Elsewhere, the USD caught a bid to kick off the week the DXY up +0.45%, USDJPY up +0.9% and EURUSD down -0.38%. Meanwhile treasury yields pushed higher, the 2y adding +1.5 bps to 0.175% and the 10y gaining +2.5 bps to 0.708%.

There was very little data to digest for markets yesterday, the only thing of note was Italy's industrial production, which fell -28% m/m in March as manufacturing activity fell -31% m/m. Production of transport vehicles fell -60% m/m, machinery and equipment was down -40% m/m and textiles, clothing and leather fell -51% m/m. Italy is the second largest manufacturer in Europe after Germany, so these are certainly very grim signals. EU Commission forecasts expect Italian GDP to contract by -9.5% this year and the collapse in output underlines the degree of fiscal stimulus required as the lockdown eases.

PRECIOUS

The stronger USD on Monday helped to crimp demand for gold, with spot prices easing below the \$1700 mark during NYK and ultimately closing the session below there. During the Asia morning yesterday we saw the yellow metal pop higher with international tensions in the periphery again, China issuing a warning shot to Australia by banning imports from 4 Australian abattoirs for no clear reason. Meanwhile, headlines surfaced that President Trump had ordered US retirement funds to divest from Chinese stocks. Gold popped through \$1710 to the days high as a result yet could not capitalise and eased into the Asian afternoon session. Despite trying towards the \$1708 level in Europe and NYK, gold continued to push up against heavy supply around the that cash level on COMEX. As mentioned the USD strength ultimately won out and gold scurried back below \$1700 on light flows. ETF inflows remain robust, with investors pouring in cash in this sector, in fact, the inflows so far YTD have exceeded any full year on record. Silver continues to shine over recent sessions after dwindling behind gold for so long. We have been hearing news of HF's and leveraged money taking large bets on upside structures and at this juncture we favour the upside as well. PGM's remain dormant, with moves difficult to gauge and volumes declining day-to-day for a number of weeks now. I think the market for these metals is in a 'wait and see' scenario, particularly as their uses are more on an industrial level, it will be important to see how any recovery (or lack thereof) plays out in order to gain more directional insight.

Gold hovered quietly beneath \$1700 in early Asian trade this morning, taking a dive following the open of the SGE to the days lows. It was short lived however, with some decent retail and safe-haven flows seen thereafter which helped to push it higher. Chinese data was soft (as expected), yet gold managed to rally through \$1700 in the proceeding hour and has held above that level for the past hour or so. Silver has had similar moves falling to the lows following the SGE open and has since rallied back towards \$15.50, recovering with gold and some good COMEX bids seen down towards the lows. All the best and have a good day ahead.

Although the information in this report has been obtained from and is based upon sources MKS believes to be reliable, we do not guarantee its accuracy and it may be incomplete or condensed. All opinions and estimates constitute MKS' judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as investment advice, offer or solicitation for the purchase or sale of an investment. This report does not consider or take into account the investment objectives or financial situation of a particular party.