



MKS PAMP
GROUP

Daily Asia Wrap - 13th November 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1876.50/00	24.27/30	881/84	2325/55
HIGH	1881.70/20	24.35/38	887/90	2339/69
LOW	1873.80/30	24.15/18	878/81	2318/48
LAST	1877.70/20	24.19/22	887/90	2335/65

MARKETS/MACRO

Equity markets gave up some of the strong gains from earlier in the week on Thursday, as COVID-19 cases reached record new levels and Powell dampened vaccine excitement. COVID cases in the US shot up to a record 144k new cases and deaths were the highest since May at 1,800+ for the day, as total deaths zero in on 250k. As a result, the Dow fell -317.46 points to 29,080.17, the S&P 500 lost -35.65 points to 3,537.01 and the Nasdaq shed -76.84 points to 11,709.59. European shares were also lower on the day, the EuroSTOXX 600 giving up -0.88%, the German DAX retreating -1.24% and the UK FTSE100 finishing down -0.68%. US treasury yields were lower, the 2 year yield easing -0.4 bps to 0.175% while the 10 year yield slipped -4.4 bps to 0.887%. Crude prices were lower in the de-risk environment after strong gains throughout the week - Brent sold off 0.9% to \$43.40 while WTI declined 1.3% to \$40.95. The USD index remained flat at 92.96, the EUR trading up to 1.1817, while USD/JPY was slightly lower at 105.08.

On the data front, US inflation remains at a standstill. Consumer prices were unchanged in October for both the headline and core measures. This means core inflation is now tracking just +1.2% higher than a year ago – well below the Fed's 2% inflation target. Airfares and new car prices lifted but were offset by falls in the cost of petrol, medical care, insurance and clothing. Food inflation increased,

driven by dining out activity. Across the Atlantic, Euro area industrial production fell 0.4% m/m, defying expectations of an increase. In Ireland and Italy output dropped sharply, but Germany and France posted gains. Growth in UK production sectors was also lower than expected, likely a result of the recently ramped up shutdown's. Elsewhere, UK preliminary GDP data for Q3 shows a partial bounce in the economy, but the lift was weaker than expected. September delivered a 1.1% m/m expansion, with the service sector performing better than expected.

"Don't get too excited", was basically the message delivered by Fed Chair Powell in relation to the vaccine news. He, along with other central bank heads, pointed out now is not the time for complacency, as the impact of a vaccine on economic activity is still unknown. Powell noted that the next few months will be challenging for growth as daily cases and death tolls rise. He also noted deflationary pressures are expected to persist, making it difficult for central banks across the globe to achieve their mandates.

PRECIOUS

Gold managed to creep slowly higher yesterday during a generally risk averse session, as the US recorded record new daily cases of COVID-19 and the Fed warned that there are still many risks to the economy. It was a flat and rangebound affair throughout the Asia day, with gold opening at \$1865 and pushing gradually toward \$1870 following the Shanghai open and holding flat there well into the European session. By the time NYK trade commenced some decent macro bids began to filter in on GLOBEX and the metal ramped up to the daily high at \$1883.40 and then continued to trade an \$1875-80 range throughout the final four or so hours of the day. Interestingly ETF redemptions are ongoing and have taken some wind out of golds sails recently and we look for a clear break and hold of \$1900 in the near term, or risk another test of the \$1850 support. Silver remained confined to a relatively tight \$0.30 range yesterday and ultimately closed unchanged at \$24.28. It tested toward the \$24.00 support, however there were decent bids on the approach which provided good support. Platinum was well supported throughout the NY session, rallying strongly from the lows towards \$890 and closing at \$885, with \$900 resistance back within striking distance.

It has been a subdued day in Asia thus far, with gold currently trading where we closed in NY overnight. The metal opened to some light two-way interest and angling slightly lower to touch the intra-day low. There was a push higher on the back of some private bank buying in the hour leading up to the Shanghai open. This pushed gold through \$1880, though it failed to test the overnight highs stopping short at around \$1882, where some supply kicked in. We held around \$1880 throughout the lunch period, however, have gradually pushed lower over the past hour on miniscule flows. Silver ground its way higher in-line with gold pre-SGE, although quickly reverted from the highs and is currently sitting just of the days low. Volume again has been very light for the white metal so far. We remain cautiously bullish on the Precious complex at this juncture. Ahead today on the data calendar, look out for Eurozone GDP and employment numbers, French CPI and US PPI and university of Michigan sentiment. Have a good weekend everyone.

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