



MKS PAMP
GROUP

Daily Asia Wrap - 14th July 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1800.280/9.25	19.05/08	835/38	1968/18
HIGH	1802.50/7.90	19.11/14	836/39	1970/20
LOW	1796.00/7.00	18.94/97	832/35	1958/08
LAST	1797.90/8.90	19.02/05	834/37	1965/15

MARKETS/MACRO

Risk appetite started the week on positive footing. The Nasdaq hit a record high, and the S&P 500 touched a post-pandemic high. But the gains were reversed as US-China headlines hit the wires. US Secretary of State Mike Pompeo, openly challenged China's claims to parts of the South China Sea, opening the door for a further flare up in geopolitical tensions as we close in on the November election. The S&P 500 finished down -0.9%, the NASDAQ was off -2.1%, while the Dow bucked the trend and closed marginally in the green up +0.04%. The earlier closing European markets finished higher: the Euro Stoxx 50 rising +1.6%, the FTSE 100 was up +1.3%, the DAX climbed +1.32% and the CAC40 rallied +1.73%. In FX, we saw generally better demand for dollars across the board, mostly against commodity and high beta pairs. The Euro was generally well supported, though a key for the pair this week is whether we may actually see a COVID-recovery deal come to fruition at the EU summit this week. US treasury yields were mixed, the 2y yield adding +0.6 of a bp to 0.153% while the 10y yield cooled -1.6 bps to 0.617%. Crude was softer the Brent down -1.8% to \$42.22 and the WTI fell -1.6% to \$39.60.

It is a big week ahead for global economic data, ranging from Chinese Q2 GDP to US June

industrial production and Australian employment. All will provide a temperature check, with investors looking for widespread improvement in the data. The focus is also very much on fiscal policy. In the US, Congress is negotiating Phase 4 of the fiscal stimulus, the main objective of which is to avoid and minimise a fiscal tightening in late July/early August, provide support for furloughed workers returning to their jobs and to lift job creation via demand stimulus. Elsewhere, EU leaders will meet on Friday to progress discussions over the Recovery Fund and 2021-22 budget, but it is thought unlikely that they will reach agreement this week.

PRECIOUS

It was a quiet and subdued start for the day in Asia yesterday, gold trading back through \$1800 and holding to that level for much of the Asia session. Some safe-haven bids were seen during early London with gold edging up through \$1805 and clinging to the gains, in spite of a very brief dip below there. Decent demand continued into the NYK session with the yellow metal ticking to the daily high of \$1813.10. Later in the session with the falling equities, gold followed suit and ended the day just above \$1800. Silver was the outperformer of the day opening around \$18.70 and pushing consistently throughout Asia and London to hit a fresh 2020 peak of \$19.375 in NYK. Some late profit taking from private banks and leveraged names drove us back towards \$19.00, yet it did manage to close above that key level. The next important topside level to watch is \$19.65.

The metals opened this morning to some continued liquidation, gold pushing back through \$1800 around the China open and continuing to trade beneath there as I write. Volumes have been light and moves have been muted so far. Silver followed gold selling off on the China open and dipping back through \$19.00. It is currently holding above the \$19 level, with light volume going through Comex and the SGE. Ahead today on the data calendar look out for EU Industrial production and ZEW and US CPI and NFIB small business index. Have a good day ahead.

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