



MKS PAMP
GROUP

Daily Asia Wrap - 15th June 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1733.50/00	17.44/46	808/13	1912/42
HIGH	1734.25/75	17.53/55	815/20	1912/42
LOW	1727.00/50	17.29/31	803/08	1902/32
LAST	1728.20/70	17.36/38	803/08	1902/32

MARKETS/MACRO

Markets ended the week on a hesitant note Friday, following the sharp fall in equity indices on Thursday. It feels investors are perhaps making a more balanced assessment of economic risks with the probable recovery profile materializing – in turn making it more difficult to see the dynamic upward momentum in risk appetite returning immediately. Nonetheless, US equity markets did manage marginal gains on Friday, the S&P500 climbing +39.21 points (+1.31%) to 3,041.31, the Dow up +477.37 points (+1.9%) to 25,605.54 and the NASDAQ Composite advancing +96.08 points (+1.01%) to 9,588.81. Gains for Euro area indices remained more contained the FTSE100 rising +0.47% to 6,105.18, the CAC40 edging up +0.49% to 4,839.26, the Euro Stoxx 600 advancing +0.28% to 354.06, while the DAX lagged, closing down -0.18% at 11,949.28. Crude oil prices inched higher on Friday (WTI +2.4% to \$36.26), yet failed to make up for losses earlier in the week amid rising questions about the recent recovery in demand. In the US, a sudden surge in COVID-19 cases in Florida sparked initial concerns, while ongoing rises in case numbers in emerging markets, such as India and Brazil, have only added to these fears. It didn't help that stockpiles of crude oil continued to build. Inventories rose 5720kbbl last week, much higher than the market had been expecting. Inventories of gasoline and distillate fuel also rose. The market found some comfort in signs of further falls in US output though, the number of drill rigs operating in the US falling for a 13th

consecutive week, down 4 to 137. This is only three above the record low in 2016. Elsewhere, US treasury yields were mixed with the 2y yield easing -1 bps to 0.193% and the 10y yield creeping up +0.5 bps to 0.703%. USD recovered marginally on the day, the DXY firming +0.4% to 97.21.

On the data front, UK April GDP contracted a record -20.4% m/m to leave the 3m/3m rate down -10.4%. Record falls across most business sectors were experienced with areas of the service sector hardest hit. In the US, the University of Michigan early-June consumer sentiment reading beat the consensus with a four point lift to 78.9. Both expectations (73.1 vs 65.9) and current situations (87.8 v 82.3) improved, as lockdowns continue to lift. How durable the recovery in confidence will be is important for the anticipated recovery in private consumption. The saving rate hit 33% in April. This week UK Prime Minister Johnson and EU President von der Leyen will hold talks to try and break the deadlock in the UK-EU trade talks, while the EU Council meets on Thursday and Friday, where the EUR750bn European Recovery Fund will be hotly debated. A failure to agree the proposal could overshadow the renaissance in expectations over Europe's future.

PRECIOUS

Gold remained quite buoyant despite the risk-on tone in markets and firmer USD on Friday. Throughout Asia the yellow metal endured fairly muted price action, dipping off slightly towards the low \$1720's if anything. By the time early European traders manned their desks there was some private bank buying kicking into gear which prompted the metal higher. This continued into the NYK morning with gold pushing through \$1740, but running into some producer offers above that level which capped the momentum. Some late profit taking and gamma selling was pursued during the NYK afternoon and eventually settled in to a \$1730-35 range for the remainder of the session, closing at \$1731.50. Silver was sold off aggressively at the Asia open on Friday, dropping -\$0.25 to trade as low as \$17.40. It then gradually recovered throughout the remainder of Asia and London posting a high in NYK of \$17.75. It was crushed sharply back toward \$17.40 and failed to recover from there to close out the week just under \$17.50.

Gold has traded rather quietly to kick off the week, some light SE based selling was initially seen but this petered off as we initially approached \$1730. Chinese traders have remained neutral so far with light volume ticking through the SGE. Over the course of the afternoon the yellow metal has ticked through \$1730 on the downside and is holding just beneath there as I write. Silver has traded lower this afternoon also, pushing through last Friday's lows around \$17.40 and feels a little soft. Have a good day ahead.

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