



MKS PAMP
GROUP

Daily Asia Wrap - 19th August 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	2002.50/00	27.70/74	957/63	2188/08
HIGH	2006.80/30	27.98/02	963/69	2188/08
LOW	1989.80/30	27.46/50	951/57	2165/85
LAST	1993.70/20	27.70/74	951/57	2165/85

MARKETS/MACRO

The S&P closed at an all-time high last night, a truly phenomenal turnaround from the depths of March earlier this year and it comes at a time when of course the outlook for earnings and the real economy is anything but certain. The S&P500 closed up +0.23% at 3,389.78 on the day, while the Dow Jones crept -0.24% lower to 27,778.07 and the NASDAQ Composite rallied +0.73% to 11,210.84. We are, however, starting to see more and more analysts question this rally and just how warranted the outsized gains in a handful of technology names really are. Separately, others are cautioning the prospect that the Fed may start to show more concern around asset price inflation and what that would mean for the monetary policy status quo. European equities struggled to gain traction yesterday with the CAC40 sliding -0.68% to 4,938.06, the DAX reversing -0.3% to 12,881.76, the FTSE100 retreating -0.83% to 6,076.62 and the Euro Stoxx 600 falling -0.56% to 367.18. In FX, The DXY hit the lowest level since May 2018 last night (-0.51% to 92.31) as the Euro traded up towards the mid 1.19's, helping to drag risk assets from commodity currencies to EM currencies higher. The Euro wasn't the only major to catch a bid – Sterling traded up to 1.3240, now within reach of the post Brexit highs

around 1.35. Elsewhere, crude oil prices struggled amid concerns of rising supply, WTI down -0.3% to \$42.53 and Brent off -0.3% to \$45.03. Members of the OPEC+ alliance are currently meeting to discuss progress under the supply agreement, which allows producers to increase output by 2mb/d in August. The group has already suggested that compliance fell to 95% in July from 107% in June as the start date for the new quotes loomed. Already the rising supply has seen grades from Russia, Qatar and the North Sea weaken. US treasury yields were lower on the day, the 2y yield eased -0.8 bps to 0.143% and the 10y yield slipped -0.3 bps to 0.669%.

On the data front, US Building permit data shows that the US housing market is buoyant. Housing starts lifted by a massive +22.6% m/m in July following an upward revision of June data. The number of building permits issued lifted +18.8% m/m indicating there is a strong pipeline of new builds.

PRECIOUS

Ongoing weakness in the Greenback as well as ongoing geopolitical tensions between China and the US helped to propel gold back above \$2,000/oz. Negotiations between Democrats and the White House regarding a much needed economic relief package also remained at a deadlock, which has been raising concerns about the economies ability to regain its momentum. Gold pushed north during the Asian morning in line with a falling USDJPY yesterday. The yellow metal reached \$1,998 in Asia, yet it took a bout of early European buying to tip it over the line, running up to \$2,009. Early NYK traders kicked the metal up to the daily high of \$2,014.40, before some aggressive profit taking was seen by fast money and discretionary names. The metal plunged to a daily low of \$1979.40 before sharply reversing and stabilising above \$2,000 to close out the session at \$2,001.50. Silver was looking constructive throughout Asia/Europe pushing through \$28 and reaching a peak of \$28.425 before collapsing \$1.20 to the days lows in line with gold. The grey metal traded briefly through \$28.00 again but was unable to hold onto that handle, closing a long way from the highs at \$27.65.

Gold opened this morning rather quietly and happily traded sideways for the opening few hours around the \$2,003-2,005 area. Some small offers began to appear leading into the Shanghai open and the metal began to drift lower, picking up pace on the break of \$2,000. There was a knee-jerk push back above the key level although it did not last, gold tapering off again and trading not far from the lows as I type. Silver did the opposite and actually gained on the Shanghai open to briefly flirt with \$28.00 before being slapped \$0.50 lower in very thin trade. The upward trend for both gold and silver remains intact, though the path still remains a choppy one for now. Ahead today look out for FOMC minutes and Euro zone inflation and current account data. Have a good day ahead.

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