Daily Asia Wrap - 19th March 2020

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1485.90/30	11.96/99	624/27	1617/37
HIGH	1500.90/30	12.28/31	646/49	1635/55
LOW	1476.40/80	11.89/92	613/16	1565/85
LAST	1483.30/70	11.92/95	614/17	1565/85

MARKETS/MACRO

It was another day of extreme selling pressure on risk assets as equities plunged and bond markets focus on how the enormous economic support to bridge the impact of the crisis will be financed. Unlimited amounts of liquidity are being provided by central banks and governments are working fast to provide the needed economic support to firms and households. Markets are taking no solace from the policy responses so far and any interim bounce in risk is being sold, including in traditional safe-haven markets like the US Treasury bond market and gold. The news on COVID-19 continues to get worse as has been widely projected. The latest data put the number of confirmed cases at 208,185 globally with deaths tragically at 8,272, with a big increase in Italy. The necessary measures to fight the virus are very recessionary and are increasingly stringent: the US announced it was closing its borders with Canada to non-essential traffic, England, Scotland and Wales are closing schools from Friday, Spain is shutting all hotels and advising tourists to leave. Central banks will need to play a large role in financing the debt given the lack of buyers and flexibility elsewhere.

US equities remained under extreme pressure yesterday with Dow tumbling a further -6.3% (-

1,338.46 pts) to close the session below 20k at 19,898.92. Similar losses were experienced on the S&P500 which shed -5.18% (-131.09 pts) to 2,398.10 and the NASDAQ Composite, which fell -4.7% (-344.94 pts) to 6,989.84. Europe was not sparred either as mortality and infection rates continue to swell and more drastic measures were implemented to contain the spread. The DAX swooned -5.56% to 8,441.71, the FTSE100 retreated -4.05% to 5,080.58, the CAC40 plunged -5.94% to 3,754.84 and the Euro Stoxx 600 index gave up -3.92% to 279.66. Crude oil prices collapsed as reality of a demand and supply shock hit investors. The shutdown of major cities and countries have hit the transportation sector hard. Car traffic is falling sharply, with major cities sin the US seeing congestion fall by more than half. The fall is even greater in countries such as Italy and Germany. The market took little comfort central bank policy measures to lessen the economic impact. However, it was ongoing supply side concerns that really pushed crude prices lower. The Saudi Ministry of Energy directed state-producer Saudi Aramco to continue to supply crude oil at levels of 12.3mb/d over the coming months, following on from a breakdown in the OPEC+ alliance. The collapse in Brent crude below USD25/bbl has resulted in a several OPEC members, such as Iraq, call for new action. Elsewhere, Copper prices suffered their biggest one day drop since the 2008/09 financial crisis as investors viewed the huge stimulus measures as having little impact on demand. This saw the red metal crater through USD5000/t, with little signs of a recovery in the short term. A stronger USD is also impacting investor appetite, with the DXY up nearly 1.5%. The one ray of hope remains China. While factories across Europe are shutting down, workers in China is slowly returning to work. Considering it consumes more than half the world's copper, demand could find some support. However, this rebound may be muted if Chinese export driven remains weak.

PRECIOUS

Gold opened rather strongly yesterday, as the darkening economic back-drop attracted an initial sweep of safe haven demand. The yellow metal ticked up as high as $1545.50 in the hour proceeding the open ($1528), yet as has been the case numerous times the past week, the safe-haven appeal did not last. Demand was quickly overtaken by liquidation as investors tried to cover for heavy losses in equity markets. Gold proceeded to fall throughout much of the Asia day accelerating towards $1500 by the SGE close. European traders were seen on both sides and some very volatile shifts between $1490-1520 ensued throughout their session. During NYK things remained more measured between $1480-1500, with the metal remaining under pressure in lieu of a much firmer dollar – DXY hitting its highest levels since 2017. Silver continued its recent volatility yesterday, trading largely in line with gold in what was incredibly whippy trade with little liquidity. Palladium traded with very wide spreads and little to no liquidity over a $150 range, opening close to the highs then descending rapidly throughout the Asian session. Platinum's woes continued with the metal being steadily sold off throughout Asia and London to hit a low of $607, before some meaningful Chinese based buying in the low $600's kicked in to assist the metal to a close of $625.

Gold opened this morning to subdued price action initially in Asia. It spiked towards $1500 prior to the SGE open on the back of some private bank buying, although there were plenty of offers in the lead up to $1500 which capped proceedings. The yellow metal was once again offered at the SGE open and we traded back towards $1485 where we currently remain. Silver so far has traded in a $0.35 range thus far, traversing that a few times (~ $11.93-12.28). RBA up shortly, with the market anticipating a cut of 25 basis points. Best of luck.

consider or take into account the investment objectives or financial situation of a particular party.