



MKS PAMP
GROUP

Daily Asia Wrap - 19th May 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1732.30/80	16.98/01	822/25	2013/43
HIGH	1740.10/60	17.19/22	825/28	2028/58
LOW	1728.70/20	16.98/01	806/09	2013/43
LAST	1729.20/70	17.05/08	813/16	2028/58

MARKETS/MACRO

Risk markets rallied overnight as investors digested news from the Fed's Powell pledging ongoing support and news that Moderna Inc had said a small, first stage clinical trial showed signs that a vaccine under development can illicit somewhat of an immune-system response to COVID-19. While details are still very vague and limited, the company did say that there were no major observed safety issues, but that the clinical data itself will be presented at a later date. Experts have cautioned against being too optimistic that there would be a vaccine available this year. Nevertheless, equity traders liked what they heard, with the Dow rallying an impressive +911.95 points (+3.85%) to 24,597.37, the S&P500 climbing +90.21 points (+3.15%) to 2,953.91 and the NASDAQ Composite up +220.27 points (+2.44%) to 9,234.83. European equities exhibited even greater gains the FTSE100 running +4.29% higher to 6,048.59, the DAX surging +5.67% to 11,058.87, the CAC40 soared +5.16% to 4,498.34 and the Euro Stoxx 600 gained +4.07% to 341.59. Crude oil prices extended recent gains on signs of rising demand amid hopes of a viable vaccine for COVID-19. A Bloomberg report sighting officials in China's energy industry said that demand was almost back above pre-COVID-19 levels, which kicked things off. At 13m b/d, it was just shy of the 13.7m b/d level what was recorded in December 2019. The only sector that remained weak was jet fuel, which was well below last year's level. This compares with IEA's view that demand will remain well below last year's levels for the

remainder of 2020. In the end WTI rose +9.4% to just over \$32 a barrel. Treasury yields rose sharply across the curve as positive sentiment swept markets. The 10y US yield jumped +8.6 bps to 0.729%, while the 10y bund yield rose +6.5 bps to -0.47%.

On the data front, the US NAHB index of homebuilder sentiment partially recovered in May, rising +7pts to 37.0, following April's record -42 point drop. The NAHB said the partial recovery was aided by the fall in mortgage rates to their lowest level on record. All three components of the index – current sales, potential buyer traffic and expectations – lifted. This week, the global data focus is very much on regional Fed and PMI data for May which are expected to confirm a bounce in sentiment from the most acute phase of the lockdown crisis in April. That will further fuel expectations of recovery in Q3 as lockdowns are lifted.

PRECIOUS

The sharp risk rally overnight stopped gold dead in its tracks yesterday with the metal plunging \$35+ during the NYK hours, yet still managing to hold above \$1730 support. The yellow metal rallied strongly throughout the Asian hours as the Chinese discount narrowed to around \$20, after sitting as high as \$60-70 over the past few weeks. It managed to hold well throughout London/Europe with some producer selling being absorbed by those still covering gamma exposure. Once the headlines surrounding Moderna Inc did the rounds risk began to rally aggressively and we saw more producer selling as well as private banks looking to lock in profits. The result was a complete washout to the tune of \$35 over about 4 hours. The EFP came back down heavily on the move lower, and it was interesting to see that the outright price impact on EFP now seems skewed to the downside. For example, it took a \$60 rally to see the EFP jump from \$2 to \$11 - over the course of 5 days - but only a couple hours and a \$35 drop in spot to see it back at \$2. Silver, after being the stunning performer of the previous 2 sessions, was slapped lower from \$17.50 towards \$16.80 as profit taking in illiquid conditions exacerbated the dive. It was a sharp and aggressive rejection, although in the context of the massive length seen pile in over the past few days, is probably a healthy outcome and we remain friendly to the metal. PGM's weathered the storm rather well, as the improved economic sentiment chimed in with some supply side concerns (COVID-19 infections reported in some SA mines) to bolster the prices. Both Pt and Pd broke out of recent ranges to the topside, but we shall see how long the upward momentum lasts...

It was a calmer day today across the metals with gold and silver happily consolidating in narrow ranges. Flows were also noticeably smaller with investors taking a pause to cue the next directional play. There were still little clips of producer selling around, but in the end gold has managed to hold above \$1730 and silver above \$17.00, both looking a little softer as I write. Have a good day ahead.

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