



MKS PAMP  
GROUP

## Daily Asia Wrap - 21st April 2020



Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
<b>OPEN</b>	1696.30/97.30	15.28/31	774/77	2175/05
<b>HIGH</b>	1696.30/97.30	15.31/34	775/78	2180/10
<b>LOW</b>	1686.40/87.40	15.15/18	765/68	2120/50
<b>LAST</b>	1687.30/88.30	15.17/20	769/72	2140/70

### MARKETS/MACRO

As you have no doubt already seen today, the talk of the town over the past 24 hours has been Oil's record breaking one day slump (down -\$55.90/bbl) – front end futures dipping deep into negative territory last night with traders effectively paying buyers at one point \$40/pbbl, to have crude taken away from them as storage capacity around the world nears its limits amid an unprecedented oil glut. While June and July contracts are continuing to trade positive, the pain is likely to persist with fundamentals resembling their current state for at least another month, owing to the little progress seen in developed markets to lift lockdown controls. Such a price dynamic could play out again today, the last trading day of the May contract. After that, the physical reality of a still massively oversupplied oil market will likely exert downward pressure on the June WTI contract (currently still trading above +\$20/bbl). With ultimately a finite amount of storage left to fill, production will soon need to fall sizeably to bring the market into balance, finally setting the stage for higher prices once demand gradually recovers. This inflection will play out in a matter of weeks, not months, with the market likely forced to balance before June.

Despite the moves in oil names, we saw US equities hold up relatively well considering, with healthcare and technology names propping things up. Major indices however did still close the day in negative territory, the DOW shrugging off -592.05 points (-2.44%) to 23,650.44, the S&P500 down -51.4 points (-1.79%) to 2,823.16 and the NASDAQ Composite retreating -89.41 points (-1.03%) to 8,560.73. Across the Atlantic, European equity markets posted modest gains on the back of improved COVID-19 numbers. The FTSE100 added +0.45% to 5,812.83, the German DAX recouped +0.47% to 10,675.90, the CAC40 advanced +4,528.30 and the EuroStoxx 600 gained +0.67% to 335.70. The dollar advanced slightly against most of its G10 peers with the DXY now a touch above 100, though FX ranges so far this week have been rather narrow compared to the moves seen last week. There was some selling in Aussie to start the week after the impressive run the first half of the month with some discretionary names starting to re-establish shorts around these levels and at the same time there is some real money demand in Euros with dips continuing to be well bought into. USDCAD was sharply higher (~+1%) following the dramatic oil sell-off. Elsewhere, US treasury yields softened across the curve to see 2y yields -1bps lower at 0.201%, while 10y yields dipped late in the session to end down -4bps at 0.608%.

The Bank of Spain said that the economy could contract by between 6.8% and 12.4% this year, while Italian officials were reported estimating growth down 8.0%. The warnings are well timed ahead of the EU Council leaders meeting on Thursday when potential debt mutualisation will be discussed. However, the fiscally conservative Northern EU countries remain unconvinced and are also opposed to the idea of a European bad bank that will remove bad loans from lenders' balance sheets. Anxiety is being reflected in the BTP-bund spread, which widened out 12bps to 238bps. Strains are also emerging in the Spanish, Portuguese and Greek bond markets. EU leaders may refer to the potential to explore 'Coronabonds', however, nothing of any macroeconomic significance is expected.

## **PRECIOUS**

The chaotic sell-off in the crude oil market saw some investors fly to safety Monday, helping gold prices rebound after Friday's sell-off through \$1700. Gold was under pressure in early Asian trade Monday, breaking through the Friday low print and pushing down to the low \$1670's. Decent demand from a broad range of accounts down there (real-money, leveraged, ETF, physical) restricted further downside and helped the metal pull back into the middle of the day/early afternoon. Price action picked up further into the European afternoon/NYK morning as oil prices tanked, yields softened and equities turned lower. The yellow metal managed to fleetingly poke its head above \$1700 late in the US session, although there was little follow through. We ended up closing the day in positive territory around \$1695. Silver continues to consolidate north of \$15.00 and had a constructive session – running as high as \$15.44 before easing back to \$15.27 in line with gold.

There was some early liquidation across the metals this morning on light volumes, gold falling back off through \$1690 on some light profit taking. Mixed interest persisted around the SGE open, with some modest 2 way interest seen, the Shanghai based exchange still trading at significant discount of \$52-56 for onshore traders. Since the China open the gold has been oscillating either side of \$1690 on light volumes. Silver followed gold lower in early trade, selling off to the days lows and then recovered back to the opening levels prior to the China open. It was whacked again thereafter and is trading about \$0.15 off the high. Have a good day ahead.

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