Daily Asia Wrap - 22nd April 2020

Range Asian Hours (from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1687.20/8.20	14.87/90	742/45	1923/53
HIGH	1691.10/2.10	14.96/99	757/60	1951/81
LOW	1682.20/3.20	14.73/76	742/45	1918/48
LAST	1683.80/4.80	14.75/78	748/51	1948/78

MARKETS/MACRO

Markets reacted negatively to the recent plunge in oil prices – which has consumed the financial media over the past 48 hours. We saw the weakness begin to spread across a wider range of contracts yesterday, while the flight to safety put upwards pressure on the USD. With the expiration of the WTI May futures contract behind the market, the selling moved to the June contract, with prices down at least 70% at one point (USD6.50/bbl low). The weakness also moved into the international market, with Brent crude falling below USD20/bbl, suggesting the fallout in the WTI market was more than a technical blip. With the unprecedented collapse in demand, there has been growing concerns about the lack of available storage to hold all the excess crude. The EIA reported in October that storage capacity was around 426.5mbbl and was 55% full. Using inventory since then, ANZ bank's research team has calculated that capacity utilization has risen to over 81% at present. The collapse in prices induced a reaction from OPEC, with members arranging a call for later this week. Saudi Arabia went one step further, calling for signatories to the recent agreement to start cutting immediately. The agreement doesn't kick in until 1 May. Even so, the cuts to OPEC production will remain well below what is required to balance the market. This is likely to see prices remain under pressure until there are more forced closures, particularly in the US. Despite the move lower in equities, rates and FX markets were fairly orderly with ranges still holding up relatively well in the likes of EURUSD and USDJPY. The macro community remains better buyers of Yen while real money names have been observed to be buyers of Euro. In the commodity pairs, USDCAD topside continues to attract quite a lot of interest, particularly in the options domain while in AUD, there is some profit taking of old longs going through and little interest to add length at these levels.

Global equity markets continued to reel in the wake of the oil fallout and investors started to pare back some of their enthusiasm for tech and healthcare names which had been some of the outperformers lately. The DOW sank -631.56 points (-2.67%) to 23,018.88, the S&P500 retreated -86.60 points (-3.07%) and the NASDAQ Composite tumbled -297.50 points (-3.48%) to 8,263.23. It was a similar picture in Europe, the FTSE100 declining -2.96% to 5,641.03, the CAC40 tanked -3.77% to 4,357.46, the DAX plunged -3.99% to 10,249.85 and EuroStoxx 600 back-tracked -3.39% to 324.31.

On the data front, the ZEW Economic Sentiment Index for Germany lifted a record amount in April – defying expectations. Expectations moved from an eight-year low of -49.5 in March to +28.2pts. However, the assessment of the current economic situation worsened dramatically, dropping 48.4 to -91.5pts. A similar flip-flop was seen during the GFC back in 2008. In the UK, unemployment claims lifted by +12,200 in March, with total numbers now equivalent to 3.5% of the population, but it is expected to get much worse. The claims data was collated on March 12 – nearly two weeks prior to the UK going into lockdown. Elsewhere, tensions remain high in Europe ahead of tomorrow's EU leaders' summit. A contentious debt mutualisation package will be discussed by the bloc's leaders, with the aim of deploying a €540 billion package previously agreed to by the beginning of June. Across the Atlantic, sales of existing houses in the US slowed by -8.5% in March but median house prices remained firm. Contracts for these purchases however were completed before the shutdown occurred, so once again much worse is expected to come.

PRECIOUS

It was a softer session for the precious complex yesterday in the wake of a higher USD and continuing chaos for the oil market, which spilled over into other commodities. For gold, the metal gradually eased throughout the Asia morning yesterday ticking below $1690, before bouncing back to the days highs late in the Asia afternoon. USD began to kick higher throughout London and further selling was seen in WTI and Brent which prompted some liquidation for gold. This turned quite aggressive, with few bids seen on the way down to trade as low as $1660 – on little to no news flow. Perhaps a few were too eager to jump back in on the long side and not prepared to ride a move back through $1680? The yellow metal caught a bid during NYK, and moved back towards the mid $1680's, and after a late round of selling back to $1672 was paid into the close to round out the session at $1684. Silver, after holding onto a $15 handle the past few sessions broke through that level, tripping heavy stops down to beneath $14.60. It did manage to break back towards $14.90, however closed below $15.00 which is a weak signal.

Gold so far today has remained contained within a fairly narrow range (~$8), consolidating on moderate volumes. It opened slightly higher and oscillated within a $5 range for the majority of the morning leading into the Shanghai open. There was a brief spike right after the China open, with the SGE discount slightly improved but still steep at around $50-53 for onshore traders. We touched above $1690 briefly before angling lower into the afternoon – very uneventful really. Silver followed gold and traded light volumes, remaining below $15.00 resistance. Have a good day ahead.