



MKS PAMP
GROUP

Daily Asia Wrap - 23rd June 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1754.50/5.50	17.69/72	829/32	1922/72
HIGH	1760.10/1.10	17.85/88	829/32	1930/80
LOW	1747.70/8.70	17.67/70	811/14	1910/60
LAST	1751.90/2.90	17.70/73	816/19	1917/67

MARKETS/MACRO

It was a fairly slow start to the week for financial markets as investors and businesses focus on quarter end in what has ultimately been the worst quarter for economic growth since WWII. Going forward, as we head into the rebound quarter, markets will be looking to decipher the technical bounce from the state of underlying momentum. Economic fundamentals have changed significantly, but it could take a while before the dust settles and the underlying pulse becomes evident - If nothing else, expect volatility in Q3!

For markets, US equities ticked higher yesterday as investors shrugged off worrisome COVID-19 case growth and White House Economic Advisor Kudlow reiterated that another national shutdown was unlikely. The S&P500 rose +0.65% to 3,117.86, the Dow advanced +0.59% to 26,024.96 and the NASDAQ Composite outperformed up +1.11% to 10,056.48. In contrast, European equities traded softer on the day – the DAX eased -0.55%, the FTSE100 slipped -0.76%, the CAC40 fell -0.62% and the EuroStoxx 600 was -0.76% lower. In FX, we saw some dollar weakness creep back into the market given some of the gains we saw late last week (DXY down -0.66% to 97.01). Noticeably, there was decent supply of Euros from CTA's while

discretionary names continue to favour reinstating Aussie downside at these inflated levels. Treasury yields were higher, the US 2y yield firming +0.6 bps to 0.194% and the 10y added +1.8 bps to 0.709%. Crude oil prices continued to lift, supported by OPEC+ curbs on supply and demand continues to recover – WTI advanced +2.5% on the day to \$40.46 and Brent accelerated +2.4% to \$43.07.

On the data front yesterday the European Commission's consumer confidence continued to recover slowly in June, coming in at -14.7, up from April's 7-year low of -22. Lifting restrictions on activity are no doubt supporting, but virus risks and employment concerns are set to linger for some time. Across the pond US existing home sales fell -9.7% m/m in May to a 3.91m annualised rate, compounding the -17.8% m/m drop in April. That was the lowest reading since July 2010. Sales sank -26.6% y/y, representing the largest annual decline since the 2008 global financial crisis. The weakness reflected ongoing social distancing measures and the gradual nature of lifting the lockdown. However, the more recent rise in home loan applications suggest housing market activity is slowly picking up again. Meanwhile, the Chicago Fed's National Activity Indicator rose to 2.61 in May, up from -17.89 in April. The index has swung from a record low to a new high – a welcome surprise (market expectations were at -10), largely illustrating how it will take some time for data volatility to settle.

PRECIOUS

The upward trajectory in gold and silver continued overnight as the threat of a second wave of COVID-19 still lingers in the back of investors minds. More central bank monetary stimulus with the Bank of England announcing it would be adding to its bond purchasing program and more warnings from the Fed about the fragility of the economic recovery continue to boost demand with gold and silver both looking strong for the interim. Yesterday we saw gold jump strongly (+\$7) on the Asia open to kick off the week on a very positive note, reaching as high as \$1758 later in the Asian afternoon. London held mostly steady above \$1750, with some decent sized selling clips through COMEX easily absorbed. Similar to Friday, the metal surged in early NY trade to push above \$1760, stopping just short of testing last May's high, before some day traders stepped in to take profits. Ultimately the yellow metal closed around \$1755, maintaining its upward momentum. Silver followed in gold's footsteps, albeit to a lesser extent, pushing through \$18.00 but unable to sustain that level due to some large resting orders through there. Palladium was pinned around the \$1940 level, while platinum remains static just above \$800/oz.

Gold opened on a more subdued note in Asia today hovering in a \$3 range for the opening few hours. Thereafter some headlines from White House trade advisor Peter Navarro did the rounds during a Fox news interview, with Navarro claiming that President Trump had decided to terminate the China trade deal as intelligence officials grow increasingly confident that the corona virus originated in a Wuhan laboratory. "It's over" Navarro told the Fox host. "Here's the turning point... They came here on January 15th to sign the trade deal, and that was a full 2 months after they knew the virus was out and about", he explained. As a result the USD quickly began to rally as did gold which pushed up toward \$1760 again. It did not take long for Navarro to start back peddling however and continue to do so, eventually Trump chiming in and saying that the China trade deal was "still intact". Gold and the USD quickly reversed with gold plunging down to the day's lows and we are currently sitting just above \$1750. Decent volumes have ticked through Globex and the SGE as a result and given the back-peddling there appears to be no truth to Navarro's original claims. Silver followed gold and remains close to the lows of the day as I write. All the best and best of luck

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