



MKS PAMP
GROUP

Daily Asia Wrap - 23rd September 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1900.10/60	24.37/40	863/73	2193/33
HIGH	1904.90/40	24.46/49	874/84	2212/52
LOW	1893.00/50	23.92/95	861/71	2178/18
LAST	1893.10/60	23.99/02	867/77	2203/43

MARKETS/MACRO

Markets firmed a little overnight supported by positive data flow, shaking off comments from Fed Chair Powell that the US economy has a long way to go before fully recovering and will need more support. US equity markets all closed in positive territory the Dow advancing +0.52% to 27,288.18, the S&P500 gaining +1.05% to 3,315.57 and the Nasdaq rallying +1.71% to 10,963.64, closing just off the highs. In Europe, most major indices were higher, the DAX rising +0.41% to 12,594.39, the FTSE100 up +0.43% to 5,829.46, the Euro Stoxx 600 ticking up +0.2% to 357.55, while the CAC40 slipped -0.40% to 4,772.84. Despite the Equity recovery, we didn't see that sentiment shift manifest across the macro spectrum, with the dollar remaining fairly bid throughout the session and into the Asia open this morning. For the most part, news-flow out of Europe was more on the disappointing side with early indications suggesting that another wave of COVID infections may be imminent as we head into the Winter months in the northern hemisphere. This did seem to be one of the catalysts behind the dollar's resurgence last night, led mainly by weakness in both the pound and the Euro with the former coming under sizeable selling pressure as PM Boris Johnson announced a move back towards

more stringent social distancing standards. Crude oil recovered from yesterday's sell-off, although the gains were limited amid concerns about the rising COVID-19 infections and new lockdown measures. Brent added +1.0% to \$41.77 and the WTI climbed +1.0% to \$39.60. Treasuries were mixed with the 2y yield slipping slightly -0.2 bps to 0.135% while the 10y yield rose +0.3 bps to 0.669%.

On the data front, sales of existing US homes lifted +2.4% m/m in August – in line with expectations. The median price of pre-owned homes lifted to a record USD310k, while sales of new homes shot up +13.9% m/m with the average sale price lifting to USD 391,300. The number of homes sold was the highest since December 2006 with low interest rates continued to support demand. Elsewhere, the Richmond Fed Manufacturing Index defied expectations of a fall, by posting a solid gain in September. The index shot up to 21 (from 18), economists expecting a fall to 12. The services index also surprised to the upside moving from 2pts in August to 6pts. The data helped confirm manufacturing activity is returning to levels that are more normal. Meanwhile, across the Atlantic Eurozone consumer confidence edged up to -13.9 pts from -14.7 but overall confidence remains very weak.

PRECIOUS

The stronger USD continues to be a headwind for gold, with the subsequent fall in investor appetite weighing on prices, in spite of concerns over the economic recovery. The failure of lawmakers in the US to come to an agreement on a new stimulus package has also disappointed investors. These concerns were reiterated by Powell at a House panel. Fed official, Charles Evans, caused some panic in markets too yesterday after he said the central banks new policy guidance doesn't preclude tightening before inflation averages 2%. Gold has been well supported by investors on expectations that the Fed would allow inflation to rise higher than normal. Yesterday gold sold off aggressively late in the Asia session (early London) to the days lows in line with the firmer USD. It had recovered back toward \$1917 by the time NYK opened for trade, but the USD rallied again and gold came off, closing around \$1900. Silver after pushing higher in the Asia morning to \$25.20, lost over \$1 by the afternoon to trade to a low of \$23.84 and continues to look soft.

Gold remained heavy today as the USD continued to gain ground vs. most of the G10. We opened a little softer and initially a round of profit taking pushed us a few dollars higher toward \$1905. It did not last however as China opened with moderate to decent supply and suppressed the market. EURUSD broke down through 1.1700 and some stops were triggered which weighed on gold during the early afternoon – trading as low as \$1893.50. The metal is currently sitting just off the lows and still looks weak. Silver too has had a heavy session, opening around \$24.40 and currently trading just above \$24.00, following a brief dip below. All the best and good day ahead.

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