



MKS PAMP
GROUP

Daily Asia Wrap - 25th May 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1735.10/6.10	17.23/26	834/37	1943/93
HIGH	1735.90/6.90	17.24/27	834/37	1945/95
LOW	1726.50/7.50	17.07/10	827/30	1912/62
LAST	1726.60/7.60	17.09/12	829/32	1920/70

MARKETS/MACRO

It was a resilient end to the NYK session on Friday, with equities finishing in the green despite US-China tensions garnering headlines once again. It came after China pushed forward its HK Security law which saw US lawmakers step up their criticism, prompting the Chinese Foreign minister to warn that some in the US were pushing relations towards a 'new cold war'. While these tensions are not by any means new, it does appear that lawmakers on both sides of the political spectrum in the US do see value in ramping up this rhetoric leading into the yearend election as a means to firm support with their respective bases. Weakness in Asian equities gave way to a flattish European session and mildly positive US session. The S&P500 ticked up +0.24% to 2,955.45, the NASDAQ Composite appreciated +0.43% to 9,324.59, while the DOW cooled slightly by -0.03% to 24,465.16. Across the Atlantic, the EuroStoxx 600 eased -0.02% to 340.17, the FTSE100 retraced -0.37% to 5,993.28, the CAC40 inched down -0.02% to 4,444.56 and the DAX rose a modest +0.07% to 11,073.87. The rising geopolitical tensions also weighed on the crude oil market. Brent crude futures were under pressure early in the session as headlines emanated from China's NPC. With the energy sector a critical part of the phase one trade deal between the US and China, the rising tensions between the two countries remains a

concern. Nevertheless, prices did recover late in the session as signs of further supply cuts emerged. US explorers cut another 21 drill rigs from the US shale basins, taking the total amount to only 237 - the lowest since 2009. In the end the WTI closed higher up +4.6% to \$33.25 and Brent gained +2.5% to \$35.13. Elsewhere, US treasury yields rose with the 2y yield gaining +0.6 of a bp to 0.168% and the 10y up +1.8 bps to 0.659%.

Not a great deal in terms of data was released Friday. The UK posted a record budget deficit of GBP62bn in April at the peak of the lockdown and unprecedented government support, including the support of eight million furloughed workers. Elsewhere, the minutes from the ECB's 29-30 April meeting gave strong hints that the central bank will consider increasing its asset purchase program next month: "At the June meeting, more information would be available, including new Eurosystem staff macro-economic projections".

PRECIOUS

Gold advanced Friday following rising safe-haven demand amidst the mounting tensions in HK. Gold futures rose steadily throughout the course of the Asian day, hitting \$1740 as protesters took to the streets of HK after a few months of relative calm. Prices peaked early during the European morning and gave back some of the gains as some producer and gamma sellers emerged. It remained fairly slow going into the US session, metals locked in tight ranges with pre-memorial day holiday volumes very light. The yellow metal ended up closing out the day and week around \$1735 in quiet trade. Silver was sold off quite aggressively throughout Asia, as some profit taking did the rounds after what had been an impressive week. The metal fell through \$17.00 and quickly dropped as low as \$16.74 as some weak longs were flushed out. Ultimately silver managed to claw back the morning's losses starting around the London open and progressing throughout the NY day to close higher on the day and significantly higher for the week. It was also a close above the 200 dma (\$16.93), which is significant.

It is a holiday in both the UK and US today and we suspect a quiet session will ensue. So far this morning things have been orderly. Gold opened at \$1730 and has been modestly offered in early trade, with Chinese names looking for bids and some light profit taking going through. Decent sized resting bids on Ecomex at around \$1725-27 (cash) curbed the selling however and we have currently kicked back towards \$1730. Silver has moved in tandem with gold, being sold off after the open, yet has managed to hold above \$17.00. Again we expect a slow rangebound session today due to the holidays. Have a good day ahead.

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