MKS PAMP GROUP

Daily Asia Wrap - 27th April 2020

Range Asian Hours (from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1728.30/9.30	15.23/26	767/70	2017/47
HIGH	1728.40/9.40	15.30/33	772/75	2030/60
LOW	1720.00/1.00	15.16/19	763/66	2011/41
LAST	1722.10/3.10	15.28/31	769/72	2030/60

MARKETS/MACRO

Markets ended the week in relatively calm fashion last week with attention turning from the failure to reach agreement on the European Recovery Fund (ERF) to the US Federal Reserve and ECB policy meetings to be held this week. For the Fed, no further developments on QE or interest rates are expected, but a number of strategists expect it to underline that its policies will be in place indefinitely to support the economy and help a return to full employment and achievement of its inflation objectives. The ECB is expected to raise the size of its emergency bond buying package (PEPP) by around ~EUR500bn to EUR1.250trn and to continue pressing for a sizeable fiscal stimulus. It is the main economic agent for the euro area and, as such, President Lagarde will emphasise its willingness do what it takes to support the economy and the smooth functioning of markets. US equity markets closed Friday modestly higher ahead of earnings season ramping up this week, with a number of bellwether tech names scheduled to report -among them Amazon Inc. The Dow Jones Industrial Average closed out the week up +1.11% to 23,775.27, the S&P500 advanced +1.39% to 2,836.74 and the NASDAQ Composite rose +1.65% to 8,634.52. In Europe, similar moves were exhibited but in the opposite direction, with investors remaining concerned that leaders of member countries can not agree on the disbursement of the ERF. The FTSE100 slipped -1.28% to 5,725.23, the DAX declined -1.69% to 10,336.09, the CAC40 retreated -1.3% to 4,393.32 and the EuroStoxx 600 fell -1.1% to 329.59. Crude oil inched higher on Friday as signs of further production cuts emerged, although, rising inventories and weak demand continue to weigh heavily on sentiment. Following on from reports that Kuwait and Algeria would cut production ahead of the planned 1 May start of the recent OPEC+ supply agreement, the market was buoyed by disruptions to US output. Drilling in onshore US fields fell the most in 14 years last week, with the number of oil drill rigs operating dropping by 60 to 378, according to Baker Hughes data. The Permian Basin and New Mexico accounted for 62% of the shutdowns - an ominous sign considering this region has been one of the more prosperous in the US. Oil storage tanks continue to fill and US inventories rose by 15mbbl last week. Meanwhile the yield on the US 10y note was broadly unchanged.

On the data front, the German IFO April business conditions index fell to a record low at 74.3, re-affirming the weakness seen in the PMI data last Thursday. Record lows were seen for services and trade with the rate at which it has fallen being unprecedented as well. The current situations index fell to 79.5 vs 92.9 and the expectations index dropped to 69.4 vs 79.5. In the US, University of Michigan April final consumer confidence was a touch better than the initial estimate. Current conditions rose to 74.3 vs 72.4 and expectations were stable (70.1 vs 70.0). It would appear the income and credit measures are supporting confidence in the outlook. Elsewhere, US March durable goods fell -14.4% m/m with core goods orders up +0.1% m/m. Ex-transport, orders fell 0.2% m/m. However, with the US economy only heading into lockdown in the latter stages of the month, April data is likely to be a lot worse. The yellow metal has failed a few times now at $1735 and is the level to watch on the topside, with a break of this likely to extend gains.

PRECIOUS

Gold prices eased slightly on Friday on signs of stability in the US consumer confidence data, which fell less than expected. This prompted investors to take some profits on longs after a strong few weeks for the yellow metal. It remained generally well supported throughout Asia and Europe on the back of weaker equities although was sold down during NYK toward $1710 – yet recovered reasonably well into the close. CFTC reports show that non-commercials have reduced exposure over the course of last week, interesting considering in the past few sessions we really only saw bids from macros, fast-money and ETFs, which begs the question of who is capping the metal at these decreasingly high levels? Producer's have been active sellers recently as well as systematic traders and gamma longs – so it will be interesting what the next leg is for gold, with a number of risk events penned in for the week. Silver, similar to gold, was sold off to the key support of $15 in NYK and managed to recover late to round out the week at $15.25. PGM's remain uninspired, with platinum holding above $750 support and lacking any drive to push too far through the $765-775 area. Palladium ground higher on Friday, slowly moving through $2000 on very limited volume.

A quiet session for gold so far today, after opening lower we found support in the early hours around $1720, with bids under there holding the market up. We popped higher right around the TOCOM open and punched back through $1725 briefly before settling back toward $1722-23 leading into the China open. There was a marginally higher discount at the SGE open of about $50 compared to the loco London price, which failed to garner any real interest from Chinese investors. The spot price has remained flat since the open and the volumes are low to moderate. Silver on the other hand has managed to slowly grind higher throughout the day pushing off the lows to sit just off the highs as I write. Have a good day ahead.

consider or take into account the investment objectives or financial situation of a particular party.