



MKS PAMP  
GROUP

## Daily Asia Wrap - 27th August 2020



Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
<b>OPEN</b>	1953.30/4.30	27.51/55	931/41	2175/95
<b>HIGH</b>	1954.60/5.60	27.51/55	936/46	2187/07
<b>LOW</b>	1936.80/7.80	26.92/96	925/35	2167/87
<b>LAST</b>	1942.80/3.80	27.30/34	930/40	2176/96

### MARKETS/MACRO

Markets traded with a growth bias overnight ahead of Fed Chief Powell's address at the Jackson Hole monetary policy (virtual) symposium tonight. As a result, US equity markets continued to extend their impressive run of monthly gains. The Nasdaq led the charge up +1.73% on the day to 11,665.06, with regulars Amazon, Tesla, Netflix, Facebook and Alphabet posting solid gains. The S&P500 also advanced gaining +1.02% to 3,478.73 and the Dow inched up +0.3% to 28,331.92. Euro area stock indices ticked higher on the day also, the DAX climbing +0.98% to 13,190.15, the CAC40 advanced +0.80% to 5,048.43, the FTSE100 crept up +0.14% to 6,045.60 and the EuroStoxx 600 rallied +0.91% to 373.12. In FX, the greenback sharply retraced European gains in New York (DXY -0.13%), ending relatively unchanged against the Euro above 1.18, while the Japanese Yen firmed +0.41% as the pair tested a move underneath 106.00. Elsewhere, treasury yields ended the session largely unchanged to see the two-year close toward 0.152% and the 10-year end around 0.688%, while oil futures tracked sideways as WTI finished flat at USD \$43.40 per barrel and Brent crude eased -0.5% to USD \$45.80 per barrel.

On the data front July durable goods rose +11.2% m/m, while ex-defence and aircraft orders rose +2.4% m/m. That was the third consecutive monthly rise in both headline and core orders and

implies private demand is broadening beyond consumption. It is positive news for the sustainability of the recovery. Elsewhere, US MBA mortgage applications declined -6.5% during the week ended August 21<sup>st</sup>.

Geopolitical tensions were largely shrugged off yesterday, Markets looking through US and China tensions, with China firing two missiles in the South China Sea as part of military drills, and the US strengthening sanctions on companies seen as supporting China to “reclaim and militarize disputed outposts”, according to the US Department of Commerce.

Powell’s Jackson Hole speech tonight is expected to give guidance on the Fed’s review of monetary policy strategy. Expectations are for an endorsement of an average inflation target, the adoption of which would mean the Fed would be willing to tolerate an overshoot in inflation to make up for an undershoot that had occurred over a certain period of time. In the current environment this would anchor inflation expectations, lower real interest rates and lead to policy being expansionary for longer than otherwise expected.

## **PRECIOUS**

Gold prices rallied strongly yesterday after remaining under pressure throughout much of Asia and early European hours. Reports that the Fed is working on a new policy strategy that involves rates staying near zero for as much as 5 years, helped drive the metal higher during NYK, along with the sliding dollar. It was a relatively quiet Asian session for gold which held fairly flat around \$1925-1930 for most of the am. Some liquidation from macro accounts then began to filter through during the afternoon and the metal slowly meandered lower to trade sub-\$1920 as European traders began to man their desks. Gold continued to slide as the European day wore on pushing as low as \$1902.90 and brushing up against the uptrend resistance that has been in place and holding well since early March. It was looking rather ominous for a brief moment, but early NYK traders were quick to bid the market up. The metal surged higher to \$1940 and continued to an apex of \$1954.50 just before the close. Silver ground its way lower throughout Asia and pushed as low as \$26.10 in early Europe. Similar to gold, this level marked an important uptrend resistance level that has held a few times over recent sessions. Just like the gold, the white metal raced higher in NYK and closed on the highs just beneath \$27.50 – a +5.4% turnaround from the lows.

Both gold and silver opened more or less on the highs in Asia today and after trading fairly flat for the opening few hours, were sold off steadily throughout the session. Gold gradually fell off below \$1940 and silver just beneath \$27.00 on moderate volumes and have not really bounced back since. Powell’s Jackson Hole address today will be closely scrutinised, with many predicting a very dovish tone, which should be supportive of the metals. Regardless of the outcome, we expect volatility over the course of the address. We also have US GDP, PCE, Jobless Claims, pending home sales and Bloomberg US consumer confidence. Best of luck and good day ahead.

---

*Although the information in this report has been obtained from and is based upon sources MKS believes to be reliable, we do not guarantee its accuracy and it may be incomplete or condensed. All opinions and estimates constitute MKS' judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as investment advice, offer or solicitation for the purchase or sale of an investment. This report does not consider or take into account the investment objectives or financial situation of a particular party.*