



MKS PAMP
GROUP

Daily Asia Wrap - 2nd December 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1815.00/50	24.00/03	1001/04	2398/28
HIGH	1815.10/60	24.00/03	1001/04	2403/33
LOW	1808.70/20	23.56/59	987/90	2370/00
LAST	1811.00/50	23.71/74	992/95	2385/15

MARKETS/MACRO

Risk markets were buoyed overnight by news that a vaccine may not be far away and hopes that a Federal spending package may be agreed upon shortly. The positivity pushed US equity indices to record highs, treasury yields higher and the USD softer. The Dow ticked up +0.63% to 29,823.92, the S&P500 advanced +1.13% to 3,662.45 and the Nasdaq rallied +1.28% to 12,355.11. It was a similar scenario in Europe with the FTSE100 climbing +1.89% to 6,384.73, the DAX gaining +0.69% to 13,382.30, the CAC40 tacking on +1.14% to 5,581.64 and the EuroStoxx 600 adding +0.65% to 391.90. In the FX domain, all eyes were on EUR/USD after the pair made a convincing break through 1.20 overnight after the failed attempt earlier in the week. There was decent participation in the rally with real money and macro names decent buyers both in outright and via option delta. The pair may now move towards 1.22-24 area with positioning much more balanced when compared to the August rally. Interestingly, the weakness in the dollar was at odds with a decent bump higher in US yields – albeit this was more a back-end steepening story while front end rates remained rather sticky. The 2 year yield firmed +2.6 bps to 0.172%, while the 10 year yield jumped +9.1 bps to 0.934%. Elsewhere, crude was lower with Brent surrendering -0.3% to \$47.40 while WTI dropped -1.0% to \$44.56.

On the data front, Growth in the US manufacturing sector eased slightly but remains robust. The

Manufacturing PMI came in as expected at 56.7pts, unchanged from previous month. Meanwhile the ISM manufacturing data for November showed a decline in new orders, production, and employment. Employment is at a 3 month low but other indicators remain robust. Across the Atlantic, European inflation remains weak and this is unlikely to change anytime soon. The headline CPI for the Eurozone was unchanged and aligned with expectations at -0.3% y/y for November.

The overriding message from US Treasury Secretary Mnuchin and Fed Chair Powell's joint testimony to the Senate Banking Committee is more fiscal stimulus is needed now. Mnuchin urged Congress to make a decision before the current session breaks for Christmas. He favours extending unemployment benefits and deploying the unused funds in the Paycheck Protection Program.

PRECIOUS

Gold snapped a four-day losing streak Tuesday as a weaker USD and reports that the stimulus package in the US is nearing, boosted investor demand. Gold opened in Asia around \$1777 and gradually meandered higher from there to trade around \$1783-87 for most of the Asian afternoon. We continued to drift higher throughout much of the European session and eventually punched through the 200 day moving average at \$1801, prompting some stop loss and system buying and quickly taking the metal to \$1810. The traversed 200 dma held well for the remainder of Europe and we continued to push higher into the NYK open. Price action remained fairly muted throughout the US session, but the gold maintained the gains despite some moderate producer selling flows and ongoing ETF liquidation. We see some resistance between \$1818-22 including the 200 dma (basis Feb 2020) at \$1818.70 and a double top from last week at \$1822. Support sits at the daily 200 dma (currently \$1802.20) and we can see a bit of work between these levels over the coming sessions. Silver snapped back a stellar +6.0% yesterday, or +9.6% from the \$21.90 low seen on Monday. The white metal gained ground consistently throughout London and NYK and closed just off the highs right on \$24.00. Platinum continued its strong run, breaking through \$1000 and holding above that level into the close.

The metals so far have given up some ground in Asia today, understandable considering the strong run seen over the past 48 hours. Gold opened at \$1815.00 and held steadily between \$1812-15 in the lead up to the SGE open. Once China came in, there was some initial supply and we dipped off before eventually testing \$1815 again. It was short lived and as the afternoon rolled around both gold and silver picked up some downward momentum. Gold is currently holding above \$1810, while silver is firm around \$23.70. Have a good day ahead.

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