



MKS PAMP
GROUP

Daily Asia Wrap - 3rd November 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1895.00/50	24.07/10	859/62	2208/38
HIGH	1898.20/70	24.16/19	865/68	2225/55
LOW	1890.50/00	23.90/93	857/60	2207/37
LAST	1893.20/70	24.00/03	861/64	2217/47

MARKETS/MACRO

Risk continues to hold up reasonably well ahead of election night, helped in part by a decent manufacturing ISM in the US – the gauge for the month of October coming in at 59.3, against estimates of 56.0, marking the strongest ISM read since Sept 2018. This prompted US equities to rebound strongly to kick off the week, following last weeks declines. The DOW bounced strongly off the 200 dma, rallying +1.6% to 26,925.05, the S&P500 advanced +1.23% to 3,310.24 and the NASDAQ gained +0.42% to 10,957.61. Across the Atlantic equities also traded in the green, the Euro Stoxx 600 jumping +1.61% to 347.86, the FTSE100 rose +1.39% to 5,654.97, the DAX rallied +2.01% to 11,788.28 and the CAC40 soared +2.11% to 4,691.14. In FX, the US dollar index was flat at 94.04, the EUR was at 1.1643, with USD/JPY at 104.75 and bouncing well off the 104.00 support level seen last week. Elsewhere, US treasury yields were mixed, the 2 year yield firming +0.4 bps to 0.156% while the 10 year yield slipped -1.3 bps to 0.845% and oil prices were sharply higher after last weeks rout, Brent jumping +4.5% to \$39.15 while WTI gained +3.2% to \$36.94.

The US ISM Manufacturing Index rose 3.9pts in October to 59.3, its highest since September 2018, pointing to strong momentum at the start of Q4. New orders, which has been known to lead the headline at times, lifted a solid +7.7pts. Employment and production lifted +4.6pts

and +2.0pts respectively. The euro area final October PMI read came in +0.4pts above its initial estimate at 54.8 (from 53.7 in Sep). Both indicators show the resilience of manufacturing in an expansionary policy backdrop. However, it will be a different story for services, particularly in Europe over the next four weeks. In the UK, however, PMI dipped 0.4pts in October to 53.7, still expansionary, but possibly a sign of what's in the pipeline given renewed lockdown measures.

On the election, it is expected the first results will start to drip in around 7pm US EST with Georgia followed by North Carolina at 7.30 and Florida from 8.00pm onwards. While a strong performance in Florida for Biden may significantly impede Trump's path to 270 electoral votes, the outcome for the Senate is unlikely to be clear till much later in the day, though if anything, the result in North Carolina is likely to serve as a bit of a bellwether – if the Republican's lose by a significant margin, it may suggest more pain for Senate Republicans.

PRECIOUS

It was a firm day for the precious metals Monday in the final session before the US election. Both gold and silver began the day looking heavy, with some weak macro longs seen trimming positions early and taking both metals down to their respective intra-day lows at \$1873.70 and \$23.42. As soon as the SGE opened however, we began to see some bids start to come in the market, with retail and macro players buying into the dip. Gold pushed strongly towards \$1885, before settling around \$1880 into the European open. The yellow metal continued to angle higher in a choppy fashion throughout much of Europe and into the US morning touch a high of \$1895.80 with 10 minutes of trade left, closing just off this level. Silver followed a similar trajectory to gold, punching sharply higher following the Shanghai open and rallying an impressive \$0.60 by the early afternoon. From there it was choppy throughout Europe and the US sessions, yet managed to close above \$24 at \$24.10. Meanwhile, platinum was pick of the PGM's finishing at \$857, or up +1.9% on the day.

Today the metals have remained relatively subdued, which is likely to continue on throughout the session up until the first US voting results begin to trickle in. Gold lost a little ground early on, however, then ran to the days highs following the SGE open. It ran out of puff on the approach of \$1900 and quickly turned tail and shot to the daily low. We have been gradually edging up since then and holding firm around \$1892-93. Silver came off through \$24.00 initially to the days lows, yet has since recovered and held well above \$24. On the data front, the RBA delivered a basket of easing measures today which tilted toward the more aggressive end of expectations. The cash rate was cut from 0.25% to 0.1% to a record low as was generally expected. The Governor of the RBA also announced an extensive bond purchase program, adding that there is room to do more if required and at longer tenors. AUD has held relatively firm around 0.7030-50 at this stage. Focus today will squarely be on the US election results and we expect some fireworks across markets during Asia time tomorrow as results are released. Have a good day ahead.

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