



MKS PAMP
GROUP

Daily Asia Wrap - 3rd September 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1942.75/3.75	27.43/46	906/09	2224/74
HIGH	1950.60/1.60	27.70/73	915/18	2230/80
LOW	1939.50/0.50	27.39/42	901/04	2224/74
LAST	1944.80/5.80	27.53/56	911/14	2230/80

MARKETS/MACRO

Risk assets pushed higher in the US and Europe despite mediocre data and expectations that fiscal and monetary policy settings will need to remain supportive for some time. US equities continued to push ahead led by financials and cyclical names, the Dow advancing +1.59% to 29,100.50, the S&P500 gaining +1.54% to 3,580.84 and the Nasdaq up +0.98% to 12,056.44. European equities were equally buoyant, the FTSE100 gaining +1.35% to 5,940.95, the DAX rallying +2.07% to 13,243.43, the CAC40 up +1.90% to 5,031.74 and the EuroStoxx 600 accelerated +1.66% to 371.28. Fixed income retained its firmer tone, with the yield on the US 10y note down -3 bps to 0.65%. European fixed income strongly outperformed with the yield on the conventional 10y bund 5.5bps lower at -47.7bps as its green equivalent made its debut. The German "Green bond", raised EUR6.5bn, with demand well ahead of that, and with orders totalling EUR33bn and trading just 1bp over the conventional 10y. Crude oil fell sharply as concerns over weaker demand weighed on sentiment. Brent crude started the session strongly following positive economic data released the previous day, however, a stronger USD slowly eroded investor appetite over the course of the session. WTI crude came under further

pressure after US refiners earmarked a long list of maintenance closures over the coming months that will no doubt impact demand for crude oil. This was compounded by weak refining margins, which are their lowest in nearly a decade for this time of the year. The sell-off also came in spite of another strong drawdown in inventories in the US - the weekly EIA report showing crude stockpiles fell by 9,362kbbbls last week. In FX, dollar shorts continued to unwind yesterday, EURUSD falling towards 1.1825 after failing to sustain the push through 1.20 on Tuesday and USDJPY moving back above 106.

On the data front, US ADP jobs rose +428k in August, well below expectations for an increase of +1m. The miss alludes to a slowing job creation trend, but the report has not accurately reflected the non-farm payrolls for the past few months. In Europe, the weak inflation backdrop to the area's economy was reinforced by July PPI data. Producer prices lifted +0.6% m/m, slowing from +0.7% a month earlier and down -3.3% y/y, indicating that deflationary pressures persist along the supply chain.

PRECIOUS

Precious metals were weaker across the board on Wednesday, jolted lower by a continued rising of the Greenback and firmer equities. Risk appetite was strong across the day, with a number of US and EU stock indices trading at or close to all-time highs, prompting some liquidation across the metals. We opened in Asia yesterday just above \$1970 and saw some modest buying at the open. It did not last long however, sharply turning lower as Chinese investors came online. The yellow metal crashed to \$1959 before finding any form of support. The metal remained whippy throughout the rest of Asia between \$1960-66, with some fresh buying seen around the European open dragging the metal back toward \$1970. Again, this was short lived with macro customers eager to trim their longs on the rise. On the US open the dollar really started to pick up steam with the EUR falling through 1.3850. Gold plummeted with very little in way of bids down to \$1940 and then again to the days low (\$1933.30) before managing to recover somewhat and close around \$1942. Silver initially pushed back through \$28.00 yesterday and remained very volatile throughout Asia, trading with a downward bias. The selling accelerated around the time NYK came in, the metal dropping to a low of \$27.10, before closing just above \$27.40.

A quieter day thus far in Asia today, gold pushing higher after the Shanghai open, yet ran out of steam through \$1950. The metal has then quickly snapped back to \$1945 where we remain currently trading quietly. Silver has followed suit and rebounded through \$27.60 just after the China open and remains around that level as I write. Have a good day ahead.

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