



MKS PAMP
GROUP

Daily Asia Wrap - 5th May 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1702.30/3.30	14.77/80	770/75	1858/88
HIGH	1703.50/4.50	14.83/86	772/77	1868/98
LOW	1697.10/8.10	14.76/79	764/69	1856/86
LAST	1699.50/0.50	14.82/85	765/70	1856/86

MARKETS/MACRO

US equities managed to hold up last night as tensions between the US and China ratchet up again, a theme that is now looking more and more likely to remain in place as we head into election season at the end of the year. In this environment it remains difficult to see how equities can continue to outperform, especially with the slew of global data that is fast painting the picture of a (not unexpected) dismal outlook for Q2 and beyond. The Dow inched up +26.07 points (+0.11%) to 23,749.76, the S&P500 advanced +12.03 points (+0.42%) to 2,842.74 and the NASDAQ Composite gained +105.77 points (+1.23%) to 8,710.72 thanks to rebounds by Apple and Microsoft. Most European markets played catch-up with Friday's risk off mood after being closed for May Day. The DAX gave back -3.64% to 10,466.80, the CAC40 plunged -4.24% to 4,378.23, the EuroStoxx 600 retreated -2.65% to 328.44, while the FTSE100 eased -0.16% to 5,753.78 bearing the brunt of the sell-off last week Friday. Crude oil extended gains from last week (WTI +15.1% to \$21.18) amid hopes that the worst is behind it following the devastating level of demand destruction due to COVID-19. After several weeks of huge increases in oil inventories in the US, Genscape, an energy data provider, said that stockpiles at Cushing increased by only +1.8mbbl. If confirmed by EIA later this week, this would be the smallest increase since early March. Nevertheless, the market is still struggling to find a balance amid weak demand. While the OPEC+ supply agreement has kicked in, the cuts are coming

from much higher levels than previously expected. OPEC production surged by the most in almost 30 years in April, as the shackles from the previous agreement were released, according to a Bloomberg survey. Saudi Arabian output hit a record 11mb/d, pushing total output from the organisation to 30.36mb/d. In FX, the dollar gained against most of its G10 peers, helped in part by weakness in the Euro after last Friday's advances, while high beta currencies like the Aussie retraced somewhat in line with the moves in US equity futures. There was sizeable demand for Aussie downside yesterday with both discretionary and systematic names looking to sell on spikes. Elsewhere treasuries were mixed, the US 2y yield slipping -1 bp to 0.18%, while the 10y yield added +1.7 bps to 0.629%.

On the data front, US factory orders tumbled -10.3% m/m in March, final durable goods were down -14.7% m/m and factory orders ex-transport fell -3.7%. Worse is yet to come however during April as the lockdown intensified over in the States. Over in Europe, Italy's April manufacturing PMI fell to 31.1 from 40.3 in March. Employment fell -6pts to 39.3, new orders collapsed -19.5pts to 11.6 and the output index dropped -16.4pts to 11.4. A 10pt rise in the future output index, a soft gauge of firms expectations 12 months ahead, was somewhat encouraging, rising to 64.9 from 54.9. That is nearly back to the level it was at in January (66.7). Meanwhile, final April PMI reads for Germany and France were virtually unchanged, leaving the overall read for the euro area at 33.4 (flash: 33.6), down from 44.5 in March. However, with many European economies now starting to gradually re-open there is a growing sense that the worst of the data collapse is passing.

PRECIOUS

The rekindling US/China trade tensions and rhetoric from the White House continues to evoke some safe-haven buying in the precious sector, with gold prices punching back through \$1700 yesterday. Decent producer selling between \$1705-1710 however, as well as US stocks clinging to positive territory, kept the metal from running higher. In the end the yellow metal managed to end the session just above \$1700, on fairly moderate volumes. Silver was fairly quiet yesterday, breaking through \$15.00 on a few occasions but was unable to hold onto the handle for long, while PGM's continue to walk to their own beat, with both Pt and Pd grinding slower and slower everyday with volumes very dormant. That said, both remain inherently difficult to trade.

It was always destined to be another quiet session in Asia today with China and Japan remaining out for holidays. Gold opened and initially popped a few dollars higher on light volumes, although it did not take long for some producer flows to again push the market back through \$1700. We traded down swiftly to the lows and have failed to push back above \$1700 since, remaining contained in a tight spread. Silver has basically followed in gold's footsteps on light volume and with no discernible flows of note. Ahead today on the data front look out for US trade deficit, Markit services PMI and ISM non-manufacturing, while PPI is released for the EU. Have a good day ahead.

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