



MKS PAMP
GROUP

Daily Asia Wrap - 26th October 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1902.70/20	24.64/67	904/08	2387/07
HIGH	1903.60/10	24.65/68	904/08	2389/09
LOW	1891.30/80	24.17/20	889/93	2359/79
LAST	1898.00/50	24.32/36	890/94	2375/95

MARKETS/MACRO

It was a subdued end to the week as expectations over a pre-election fiscal stimulus faded and economic data pointed to a marked slowdown in euro area activity as a result of the surge in coronavirus cases. Regardless, equities generally inched higher, with the S&P500 gaining +0.34% to 3,465.39, the Nasdaq advancing +0.37% to 11,548.28 and the Dow, the outlier, fading -0.1% to 28,335.57. Stocks in Europe rallied to varying degrees, the FTSE100 shot up +1.29% to 5,860.28, the CAC40 rose +1.2% to 4,909.64, the DAX advanced +0.82% to 12,645.75 and the Euro Stoxx 600 tacked on +0.62% to 362.50. In FX the US dollar index eased -0.2% to 92.73, with the EURUSD trading as high as 1.1865 and the USDJPY trading around 104.70. Crude oil prices fell as rising Libyan output weighed on an already fragile market amid the pandemic-induced fall in demand. Libya lifted force majeure on its Ras Lanuf and Es Sider ports, with the National Oil Corp suggesting output could be as high as 1mb/d in four weeks time. The likelihood of this latest lift in output becoming permanent is rising quickly following the signing of a permanent cease-fire agreement between warring parties. This comes at a critical time for the OPEC+ alliance, which is scheduled to raise output quotas on 1 January. WTI crude shed -1.8% to \$39.85 and Brent declined -1.5% to \$41.77. Elsewhere, US treasury yields were mixed, the 2 year yield firmed +0.6 bps to 0.155% while the 10 year yield lost +0.5 bps to 0.843% and base metals softened.

On the data front, European October PMI indicated GDP growth is contracting in the euro area again. The composite index fell to 49.4 vs 50.4, led down by services which fell to 46.2 vs 48.0, whilst manufacturing improved to 54.4 vs 53.7. The weakness in services all has to do with the rapid spread of coronavirus and new restrictions limiting social contact in the EU. It is very difficult to see what another round of monetary easing can do, as demand is restricted by government directives to try and contain the crisis. Newly confirmed cases across the EU and UK hit 136,000 last week, up from 8,000 at the start of August when the summer holiday season kicked in. Whilst the manufacturing recovery is intact, the main message from European PMIs October data is that growth is faltering, predominantly led by weakness in services which in most economies accounts for anywhere between 70-80% of GDP.

PRECIOUS

Gold prices continue to fluctuate as investors weighed the better than expected economic data against the stalled US stimulus talks. The metal continues to be centred around \$1900 for the time being, with a general lack of direction and momentum. Over the past few weeks, we have seen a number of attempts at the \$1920-30 region, however it always ends up falling back off. That said support between \$1875-95 has been robust, the metal happily floating in a wedge between the 50 dma on the topside (currently at \$1921 on a daily chart) and the 100 dma on the downside (currently \$1883.50 on the daily chart). This is closing in, so we are looking for a clear break of one of these levels in a technical sense to gauge the next direction. We do not see this happening before the US election or a stimulus agreement however and look to play the range for the meantime. Similarly, silver has been quite volatile over the past weeks within a range. It recovered over the front half of last week, yet endured decent selling pressure north of \$25 over the backend of the week. The PGM's had a strong week last week, platinum closing +4.5% higher and Palladium up +2.85%. Although supply shocks for the pair have eased in recent weeks, Chinese car sales continue to eclipse expectations, which paints a bullish picture into the year end and should keep prices buoyant.

Gold opened today on the back foot touching the daily high shortly after the open and then falling \$10+ during the proceeding hour to trade at the days low. It recovered quite well from there however, trading back toward \$1902 right around the time China opened for business. There was not a great deal of interest from them and for the rest of the afternoon the yellow metal traded either side of \$1900 in a modest range. Silver was aggressively sold off following the open in line with gold, the grey metal plunging from \$24.65 to \$24.20 in the opening hour of trade. It bounced back to \$24.55 but has since held reasonably flat around the \$24.30-35. Ahead today on the data calendar, look out for German IFO data and US new home sales, Chicago Fed national activity index and the Dallas Fed manufacturing activity. Have a good day ahead.

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