

Daily Asia Wrap - 11th December 2020

Range Asian Hours
(from Globex open)

| | GOLD | SILVER | PLATINUM | PALLADIUM |
|-------------|------------|----------|----------|-----------|
| OPEN | 1836.00/40 | 23.99/02 | 1030/33 | 2331/51 |
| HIGH | 1840.50/90 | 24.05/07 | 1035/38 | 2355/75 |
| LOW | 1834.70/10 | 23.88/90 | 1026/29 | 2327/47 |
| LAST | 1835.50/90 | 23.90/92 | 1028/31 | 2352/72 |

MARKETS/MACRO

Negotiations over a fiscal stimulus package for the US and Brexit remains ongoing. US Treasury Secretary Mnuchin and House Speaker Pelosi have said progress is being made on a stimulus package, but is still forthcoming. This news is certainly welcomed as the pandemic takes a heavy toll, as COVID-19 related deaths in the US now exceed 3,000 a day. Meanwhile the ECB has extended its stimulus packages as inflation in the EU remains muted. The uncertainty on the stimulus front caused US equities to trade narrowly mixed, with the Dow down -0.23% to 29,999.26, the S&P500 easing -0.13% to 3,668.10 while the NASDAQ gained +0.54% to 12,405.81. It was a similar situation in Europe, with the FTSE100 advancing +0.54%, the CAC40 inching up +0.05%, while the DAX declined -0.33% and the EuroStoxx 600 fell -0.44%. In FX, The US dollar index was lower at 90.78, EUR traded up to 1.2145, USD/JPY finished flat at 104.23. US treasury yields continued to decline, the 2 year yield slipping -0.6bps to 0.139%, the 10 year yield off -1.3bps to 0.913%.

On the data front, US jobless claims lifted with the four-week average now at its highest in five weeks. Inflationary pressures are becoming evident with a +0.2% lift in core inflation in November. This was driven by higher prices for accommodation, airfares, vehicle insurance and hospital services. Household appliances are also becoming more expensive. Annual core inflation remains low at +1.6% and unchanged from the previous month. In Europe, the ECB announced an expanded asset program. An additional EUR500bn was agreed, bringing the total stimulus package to EUR1.85trn, but the central bank says it will only deploy what is needed. The emergency bond buying program (PEPP) will be extended nine months to March 2022. The TLTRO-III bank lending package will be extended 12 months to June 2022 and four additional longer-term refinancing operations (PELTRO's) will be offered in 2021 to provide a liquidity backstop. UK GDP growth slowed in the three months to October to 10.2% marginally higher than expected, with indications economic growth has slowed further.

UK Prime Minister Johnson and EU President Von der Leyen have agreed that Brexit discussions should continue to at least Sunday. The EU has published a contingency plan for a no-deal Brexit, which is now highly likely. The plan aims to avoid border delays for people and goods, keep planes in the air and buy time to negotiate a detailed fisheries agreement.

PRECIOUS

It was a mixed session across the precious complex on Thursday as metals retraced from a spike during the morning NY session. Following an early dip in Asia gold maintained a \$2 range either side of \$1840 into the London open. Some ETF liquidation suppressed the market from there and gold traded down to an intra-day low of \$1829.30. It rallied back to just short of \$1850 in the hours after the NY open, but some strong producer and macro supply capped a further advance and we faded back toward \$1830. In the end the metal closed at \$1835. Silver followed suit and hovered around \$24 during Asia yesterday, surging in NY up to the daily high above \$24.20 and then closing on the softer side right around \$24 again.

It was an inside day for the metals today, with gold and silver remaining well within the recent ranges trading on very modest flows. Gold opened at \$1837 and traded quietly between \$1835-41 for the session on light volumes. Silver was quiet too, pushing up towards \$24.05 a few times before inching lower in the afternoon. Overall a quiet session to end the week in Asia. Have a good day ahead.

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