



MKS PAMP
GROUP

Daily Asia Wrap - 14th October 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1891.30/80	24.14/17	868/72	2304/34
HIGH	1897.20/70	24.24/27	874/78	2342/72
LOW	1882.30/80	23.86/89	865/69	2300/30
LAST	1894.90/40	24.11/14	872/76	2340/70

MARKETS/MACRO

Markets weakened overnight as US politicians disagreed over the stimulus package, with it now looking very unlikely that a fiscal stimulus package for the US will be agreed before the election. Meanwhile UK Prime Minister Johnson set a deadline of this Thursday to nut out a Brexit deal, threatening to walk away without a deal after that. Equity markets softened over these prospects with the Dow easing -0.55% to 28,679.81, the S&P500 dipping -0.63% to 3,511.93 and the NASDAQ cooling -0.10% to 11,863.89. It was a similar scenario in Europe with the FTSE100 retracing -0.53% to 5,969.71, the DAX declining -0.91% to 13,018.99, the CAC40 losing -0.64% to 4,947.61 and the Euro Stoxx 600 off -0.55% to 370.96. In FX, dollar strength dominated most of the price action with real yields rallying, helping to drag down all the higher beta currencies and the precious metals complex. GBPUSD was hit particularly hard back to around 1.29, with PM Johnson's threatening of a no deal Brexit weighing on the pair. US treasury yields slid with the 2y down -0.8 bps to 0.141% and the 10y easing -3.2 bps to 0.731%, meanwhile oil prices rallied with Brent adding +1.8% to \$42.50 and WTI gaining +2.0% to \$40.74.

On the data front, the US consumer price index rose +0.2% in September, as expected. The core component was also up by the same amount meaning annual core inflation remained steady at +1.7%. Rents fell and most index components were soft, the exception being a sharp lift in used car prices. Confidence among US small business owners showed signs of improvement. The NFIB small business optimism survey lifted +3.8pts in September to 104pts – the highest reading since February. Countering this however was a +2pt lift in the NFIB Uncertainty Index, which was back up to its March level. Across the Atlantic, the ZEW survey of investor expectations fell to 56.1 in October, well below forecasts. The resurgence in COVID-19 cases in Germany and Brexit uncertainty have contributed to the drop in investor expectations for the next six months. The current situation improved slightly, but still remains firmly negative at -59.5. Inflation fell in Germany with the September CPI down -0.2%. A cut in the value-add tax, implemented on 1 July, contributed to the lower prices. The UK unemployment rate in August lifted to 4.5% (from 4.1%), its highest rate in three years. Young people have been hit the hardest, accounting for 60% of the reduction in employment since the pandemic hit. The unemployment rate now 13.4% for younger workers.

PRECIOUS

Gold traded heavily on Tuesday, weighed down by the surging USD and waning optimism over a stimulus deal playing its part. The yellow metal commenced the session in Asia around \$1925 and before long the strengthening dollar began to weigh on the metal and it gradually made its way as low as \$1911 during the pm China session. Flows were generally one way with Macro's seen reducing length and the retail sector on the offer. During London hours gold gradually gained ground, trading back toward the opening levels as fast money types scooped the dip and the dollar flattened. Once NYK came in however, there was a violent flush out, with gold plunging from \$1925 to the \$1887.60 low over about 90 minutes. It failed to recover materially from there hovering around \$1890 into the close. Silver was hit equally hard kicking off the day around \$25.10 and falling sharply to \$24.60 in Asia. After recovering the 25 handle it was one way traffic on the NYK open the metal bludgeoned below \$24, before closing at \$24.14. Positioning looks cleaner across the metals space, with some \$8 billion of gold selling seen over the past month. We still remain bullish gold for now and like to buy dips under \$1900 to target \$2000.

Further selling was seen in Asia initially today with both gold and silver falling through their respective overnight lows. Both metals held flat over the opening hours, however, as China opened for trade, more liquidation was seen across COMEX and spot and sharply forced gold and silver lower. Both touched the lows and quickly rebounded however, gold punching through the opening levels and currently trading close to the highs just below \$1900. Silver after falling below \$24 is trading back towards the opening levels. Have we posted an interim low? Have a good day ahead.

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