

Daily Asia Wrap - 16th December 2020

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1852.80/30	24.47/49	1039/42	2309/29
HIGH	1858.00/50	24.70/72	1046/49	2320/40
LOW	1851.20/70	24.44/46	1036/39	2305/25
LAST	1856.00/50	24.68/70	1044/47	2317/37

MARKETS/MACRO

Markets ended the NY session decisively higher overnight as stimulus talks look to be nearing an end. Senate Majority Leader Mitch McConnell will meet with House Leader Nancy Pelosi to finalise a deal which is said to total close to \$900 billion, including a \$160 billion allocation for state and local aid along with business liability protections – two of the key sticking points that House Democrats had lobbied for. At this stage congress is expected to vote on the tweaked deal on Wednesday. Markets focused on the optimism of these headlines and risk assets pushed higher as a result. The Dow climbed +1.13% to 30,199.31, the S&P500 rallied +1.29% to 3,694.62 and the NASDAQ gained +1.25% to 12,595.06. In Europe, it was a mixed affair for equities, the DAX leaping +1.06% higher to 13,362.87, the Euro Stoxx 600 up +0.25% to 392.84, the CAC40 inched up +0.04% to 5,530.31, while the FTSE100 declined -0.28% on the day to 6,513.32. On the FX front, flows were generally balanced, though the dollar did underperform against the more buoyant risk backdrop. Earlier, there was some broad-based dollar buying from corporates before the move was largely retraced. Sterling was one of the better performers last night after several newswires reported that progress had been made with respect to level playing field negotiations, while separately, PM Johnson continued to warn that a no deal outcome is still the most likely. Elsewhere, US treasury yields were higher, the 2y up +0.6 bps to 0.121%, while the 10y rose +3.6 bps to 0.923%. Brent crude gained +1.8% to \$50.80, while WTI extended +2.2% to \$47.65 and surprisingly base metals were lower to flat on the day.

On the data front, manufacturing activity in the US is now growing at a slower rate. The New York Empire State Manufacturing Index dropped to 4.9pts in December (from 6.3pts) as new orders and shipments lifted slightly and inventories fell as demand outpaced production. November industrial production was slightly stronger than expected, rising 0.4% m/m. This was fueled by a jump in motor vehicles and parts production. Capacity utilisation rose to 73.3% – the highest since March. Across the Atlantic, unemployment in the UK is at its highest level since 2016 with 4.9% unemployed. There are now about 820k fewer paid workers than before the pandemic. This situation is likely to worsen as further lockdowns impact more jobs. Under the current Tier 3 lockdown, restaurants can only open for takeaway and delivery service, indoor social gatherings are not allowed, and working from home is being encouraged. The City of London moves into Tier 3 on Wednesday morning UK time, as authorities look to prevent the spread of new strains of COVID-19.

PRECIOUS

It was a decent session across the precious complex on Tuesday as hopes for a US stimulus package rose. Gold opened close to the days lows in Asia and found some bargain hunting just as China opened for trade. Steady buying remained in place throughout the Asia afternoon, driving the gold price from \$1826 to just beyond \$1840. The metal continued to angle higher throughout London and rose sharply to the daily high during early NY (\$1,854.90). Some profit taking was seen from there to take it back to \$1845, but we closed strongly a few dollars short of the high. Silver was impressive on the day, opening at \$23.80 and grinding higher in line with gold to top out at \$24.55 (+2.7% higher) and closing more or less at that level. PGM's were also strong, platinum closing at the highs, whereas palladium peaked on the NY open and proceeded to give back most of the days gains in the proceeding hours, but still closed in positive territory - +0.7% on the day.

Gold and silver have continued to grind higher today in Asia, with the continued optimism a US stimulus deal can be reached prior to the holidays. Gold initially dipped off over the hours leading

into the China open towards \$1851. Once Shanghai opened for business, after a little early two interest, gold began to pick up and push to the days high. It has remained reasonably static from there into the afternoon and still feels well supported for now. Silver pushed through the o/n highs during the early afternoon and it looked like some stop buying went through on the break of \$24.60 and we have held above there since. Platinum has also pushed through the overnight high and it will be interesting to see whether the previous cycle high of \$1,080 is the next stop after holding the \$1,000 support well. Ahead today on the data calendar look out for UK CPI and PPI, EuroZone manufacturing, services and composite PMI's, Canadian CPI and US retail sales and mortgage applications. Have a good day ahead.

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