



MKS PAMP  
GROUP

## Daily Asia Wrap - 16th June 2020



Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1724.50/5.50	17.38/41	820/23	1916/66
HIGH	1732.30/3.30	17.43/46	826/29	1930/80
LOW	1724.00/5.00	17.29/32	818/21	1900/50
LAST	1725.90/6.90	17.34/37	824/27	1924/74

### MARKETS/MACRO

Global risk markets started the week cautiously, as concerns of a second wave of COVID-19 cases in the US and China rattled sentiment. Higher case numbers in Texas, Florida, Arizona and North Carolina are raising questions around when these economies will reopen. Meanwhile, Chinese authorities are working to contain a fresh outbreak in the Xicheng district. However, US equities were pulled back into the green after the Fed announced it will start buying a broad portfolio of corporate bonds via its Secondary Market Corporate Facility. As a result, the S&P500 closed up +0.83% at 3,066.59, the Dow Jones advanced +0.62% to 25,763.16 and the NASDAQ Composite accelerated +1.43% to 9,762.02. European equities, with concerns around fresh COVID-19 outbreaks and cautiousness surrounding upcoming stimulus talks by the EU Council, were generally lower on the day. The FTSE100 eased -0.66% to 6,064.70, the DAX slid -0.32% to 11,911.35, the CAC40 relinquished -0.49% to 4,815.72 and the Euro Stoxx 600 slipped -0.27% to 353.09. The greenback was lower Monday (DXY -0.46%), trading offered compared to the Euro although holding its own against the Yen. Treasury yields recovered from early session falls to see the US 2y finish +1 bp higher at 0.193% and the 10y yield rising +2 bps to 0.719%.

On the data front, the US Empire State manufacturing index for June was much better than expected coming in at -0.2 in May (last: -48.5, expectation: -29.6). The index is the first measure of industrial activity for this month and will help to underpin expectations of a relatively brisk recovery in manufacturing. New orders surged to -0.6 from -42.4; hours worked rose to -12.0 from -21.6 and the six-month ahead index jumped to 56.5 from 29.1, its highest reading since October 2009. Employment was less volatile, rising to -3.5 from -6.1. The data helped cement expectations that some sectors should recover relatively quickly. Elsewhere, Fed Chair Powell delivers his semi-annual testimony to Congress tomorrow where he is expected to reaffirm the cautious outlook for employment and inflation. The Fed forecasts that the unemployment rate will end this year at 9.3%, down from 13.3% in May but well above the pre-crisis lows at 3.5%. In Europe, Talks between UK Prime Minister Johnson and EU President, von der Leyen, were brief, but both decided that fresh momentum is needed to break the deadlock in the Brexit trade negotiations. The UK is aiming for an end-of-summer deal, Johnson's spokesman said. Markets are also awaiting the EU Council meeting later this week, where the European Recovery Fund will be hotly debated.

### **PRECIOUS**

Gold had a volatile session to open up the week, falling sharply throughout Europe and early in the US, to recover later in the day and endure only minor intra-day losses. Asia remained contained for the most part holding above \$1730 throughout the morning although dipping through there over the afternoon as clips of Chinese bank selling weighed. European traders were on the offer and gold tested \$1720 support, eventually overwhelmed and dropping a sharp \$5. It continued to slump as NYK opened up for trade, hitting a low of \$1705.70, before US stocks began to rally. Interestingly, and what has been a feature of the past few sessions, gold has correlated quite strongly with moves in equity indices and yesterday was no exception. Gold rebounded sharply above \$1725, although couldn't quite get back through \$1730 with producer offers still thick between \$1730-40 area. Recent CFTC data, shows a marked reduction in money managers bullish bets on gold, with net longs on COMEX falling to a one year low. The slack continues to be picked up by ETF's which continue to expand holdings. Silver flirted with \$17.00 into the NYK open after trading above \$17.50 early in Asia. It bounced back sharply in tandem with gold to close around \$17.40, with some gold volumes trading hands. Platinum remains uneventful and supported around \$800 for now, while palladium fended off a push below \$1900.

A muted session so far today, with gold and silver pushing briefly higher following the China open but both now giving back the gains. Not a great deal to report with flows quite modest and the China discount continuing to hold around the -\$12 to -\$9 range. There were small clips of retail buying chasing the market higher early on and some China selling towards the highs for both gold and silver, which ultimately brought things back lower. Have a good day ahead.

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