MKS PAMP
GROUP

Daily Asia Wrap - 17th August 2020

Range Asian Hours (from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1945.50/00	26.60/64	947/53	2125/40
HIGH	1950.80/30	26.84/88	953/59	2170/85
LOW	1929.80/30	25.86/90	941/47	2125/40
LAST	1941.70/20	26.29/33	947/53	2140/55

MARKETS/MACRO

A quieter finish into the weekend on Friday for global markets with US equities ending the session narrowly mixed, while the dollar continued to consolidate around these current levels. The Dow Jones inched up +0.12% to 27,931.02, the S&P500 ticked down -0.1% to 3,372.85 and the NASDAQ Composite retreated -0.21% to 11,019.30. European Indices were softer to round out the week – the FTSE100 relinquishing -1.55% to 6,090.04, the DAX rolling back -0.71% to 12,901.34, the CAC40 giving up -1.58% and the Euro Stoxx 600 down -1.2% to 368.07. On the FX front, the USD index slipped -0.14% to 93.10, the EURUSD trading up to 1.1848, while USDJPY pushed lower to 106.45. Some of the crosses broke key levels also, EURJPY continuing to etch higher led by asset managers and real money buying with some in recent days happy to supply into rallies in what looks like profit taking. Similarly, in AUDNZD, we're seeing the pair flirt with the 1.10 area this morning as the Kiwi underperformance trade starts to get more backing from fast money and discretionary names. Elsewhere, US treasury yields were lower, the 2y yield easing -1.8 bps to 0.145% and the 10y yield falling -0.8 bps to 0.709%. Crude prices were lower, Brent selling off -0.7% to $44.80 and the WTI losing -0.8% to $42.01.

On the data front on Friday, Euro area employment data for Q2 revealed that in H1 around 5m jobs were lost, almost half the jobs created since the global financial crisis. While data has shown a rebound in economic activity as countries have partially reopened, there has been a concerning rise in COVID-19 cases in some countries, which may hamper the pace of the recovery. Meanwhile in the United States, retail sales came in below expectations, rising +1.2% m/m in July (against expectations of a +2.1% rise). However, this comes with June's number being revised higher, from +7.5% to +8.4%. The value of retail sales is now above the pre-pandemic level. The rebound in activity has been disproportionately in online sales, while restaurant spending remains significantly low. US July industrial production rose +3.0%, exactly matching expectations, the lift marking the third straight monthly rise. Motor vehicle production led the way, rising +28.3% as factories rebounded after local lockdowns eased. Capacity utilisation rose to 70.6%, still well below the 76.9% in February. Elsewhere, August University of Michigan consumer sentiment was largely unchanged at 72.8 (exp: 72, prev: 72.5). The data suggest households are tiring of the deadlock in Washington, as the overall confidence in economic policies fell to the lowest level for the Trump presidency, which helped push down attitudes toward the economic outlook and respondent's own financial situations.

Over the weekend, the planned teleconference between US and China trade officials failed to materialize – with aides blaming scheduling issues with a new date yet to be announced. We know that it remains in both parties interests to scale back on the rhetoric, though it remains to be seen how Chinese officials will assimilate its commitments to US farm purchases with its interests to safeguard Chinese companies from unilateral sanctions levied by the White House in recent days. This will be something to keep an eye over the coming days.

PRECIOUS

Gold prices inched lower on Friday in what was a more consolidative session for the metal, with traders taking stock after heavy losses earlier in the week. A stronger USD and a slight tick higher in real yields was likely the trigger for the sell-off, which saw investors late to the party panic and try and lock in whatever profit possible. The ongoing struggle of law-makers in the US to reach a deal on further stimulus measures also weighed on sentiment. On Friday, gold hit the highs in early Asian trade ($1961), before retracing below the opening levels at the SGE open. The yellow metal fell to $1939 during early Europe only to be bid back strongly towards $1950 in NYK. Shortly after another wave of profit taking was seen from discretionary names pushing the metal towards $1933. It recovered later in the day however, to close out the week around $1945. We view the clean out earlier in the week as constructive for gold, given the short space of time that it took to trade in excess of $2000/oz. The metal bounced strongly off the daily support line dating back to early March (~$1860) and we now feel that with some of the hot money out, a further extension is likely – after all, fundamentals still remain the same and supportive of gold. The only concern is the distinct lack of any significant physical demand – particularly from China, with the local market still trading at a steep discount. Silver traded heavily throughout the session on Friday and despite the violent correction earlier in the week, there could be more of a lag for the white metal. Extreme length piled in on the break of $20 and I feel there could be a little more potential downside pain to be flushed out. PGM's remain range bound for now, with light volume traded on Friday.

There was a brief tick higher for gold this morning up to the highs, but similar to Friday this gave way to selling after the first hour or so and gold ticking back towards $1930 after testing toward $1950 earlier. There were some decent COMEX bids seen around $1930 (cash), which kept the metal buoyant into the SGE open. China were again sellers on the day, although the spot metal trudged its way higher into the early afternoon still remaining within the range. Silver followed the gold higher initially to the days peak, yet also quickly reversed course to trade down towards $25.80 right after China opened. It too, has slowly ground its way higher since on smaller volumes. Have a good day ahead all.