



MKS PAMP
GROUP

Daily Asia Wrap - 17th March 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1511.80/20	12.86/89	666/69	1593/13
HIGH	1519.00/40	13.22/25	702/05	1697/17
LOW	1485.80/20	12.63/66	662/65	1581/01
LAST	1502.60/00	12.90/93	682/85	1633/53

MARKETS/MACRO

Measures to control the spread of COVID-19 intensified yesterday. North Eastern parts of the US have gone into partial lockdown. The EU has proposed a 30-day ban on non-essential travel to the EU, which if agreed today will effectively be closing its external borders. Germany and Switzerland also closed bars and restaurants for an unknown duration. The UK has advised against all unnecessary social contact and to work from home and not go to bars and restaurants. Austria, Hungary, the Czech Republic, Poland, Lithuania, Germany and Switzerland have all taken measures to tighten border controls. These controls will initially last for 10 days, yet could be extended for up to two months. This ongoing crisis prompted further action from government and the central banks, the Fed conducting a second overnight repo operation with a maximum amount of USD 500 bln and the EU planning on temporarily lifting state aid rules so that unprecedented levels of liquidity can be pumped into the economy.

The increased uncertainty and economic ramifications of these measures caused liquidity in financial markets to all but completely evaporate yesterday, and chaotic liquidation ensued. The S&P500 collapsed an astonishing -11.98% (-324.89 pts) its worst single day since 1987 and the DOW plunged -12.93% (-2,997.10 pts), with selling on Wall Street so extreme that trading was halted for 15 minutes shortly after the open. The VIX, a gauge of stock market volatility often referred to as the 'fear

gauge', spiked +43% to 86.69 on Monday, surpassing the the previous record set on Oct 24, 2008 during the height of the GFC fallout. Losses for European stocks were more modest, the DAX shedding -5.31%, FTSE100 down -4.01%, the CAC40 retreating -5.75% and Euro Stoxx 600 wiping off -4.86%. Crude oil prices fell sharply as the reality of ongoing containment measures regarding COVID-19 hit home. Brent crude fell more than 10%, pushing below USD30/bbl for the first time in more than four years. Travel restrictions have been tightened around the globe, with US the extending its ban to include the UK. British Airways as a result said it would slash capacity by nearly 75%, while Ryanair and Air France announced even deeper cuts of 80% and 90% respectively. While demand is likely to be hit hard, the market is also facing a surge in supply, with Saudi Arabia remaining resolute about boosting output following the collapse of the OPEC+ alliance and its production cut agreement. Elsewhere, the US 10-year yield had fallen 23bps to 73bps, while Bund yields rose +8.2bps to -46.9%.

PRECIOUS

The move by the Fed to effectively cut interest rates to zero at the weekend saw gold gap significantly higher on the open in Asia yesterday, to the tune of some \$40 (\$1571-73 open lvl). The support however did not last long, with the precious metal being swept up in the wave of heavy selling across a number of asset classes, with ETF's also now chiming in. The moves were brutal and there were liquidity gaps at multiple points with the metal thrashing violently between \$1540-74 during early Asian trade. As the afternoon wore on the yellow metal remained volatile but stabilized around \$1530-45, although fresh selling was seen once European traders stepped in. We broke through the Friday lows, with a swathe of stops being triggered there and continued to spiral downwards to a low of \$1451.50 during early NYK. Some buying did emerge in the mid 1400's and steadied the ship, with the metal closing out the session just above \$1500 (-0.82%) – a strong result given the rest of the precious complex and a sign maybe (?) we are starting to see safe-haven demand trickle in. Silver saw unbelievable price action yesterday, slamming through a number of key support levels and trading as low as \$11.825 at one stage, or down -22%! Some late physical buying interest and spec profit taking caused the metal to surge late and close back toward \$13 (-12% intra-day). PGM's underwent aggressive sweeps lower as well, with CME circuit breakers triggered on a number of occasions (same with silver). Platinum plunged to \$564 (-26%) at one stage and closed at \$670 (-12%), while palladium held \$1500 to close closer to \$1600 (-11.4%).

After opening this morning, gold has so far consolidated either side of the \$1,500 level on heavy volumes and remains volatile. We initially fell off a little toward \$1500 at the open although quickly recovered and pushed up to the high just before the SGE opened for business. Spot gold was sold off on the SGE open and has remained under since, dipping below \$1500 and has traded between \$1485-1500 for the past hour. Silver has followed a similar trajectory to gold pushing higher up until the SGE open and then being sold off aggressively thereafter beneath \$13.00 once again. PGM's have been moving around erratically again and liquidity is none existent still and we expect this to continue in the short term. Best of luck to all.

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