



MKS PAMP
GROUP

Daily Asia Wrap - 18th May 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1746.30/7.30	16.77/80	798/01	1872/02
HIGH	1764.00/5.00	17.24/27	815/18	2015/45
LOW	1744.90/5.90	16.67/70	798/01	1872/02
LAST	1763.30/7.30	17.20/23	808/11	1940/70

MARKETS/MACRO

Risk markets ended the week subdued, following dreadful data showing the extent of economic damage unfolding in the US and Europe. Germany is now officially in recession, while US data on retail sales and industrial production was awful. Markets will now likely tread water into the preliminary May PMI data at the end of this week. The S&P500 crept up +0.39% to 2,863.70, the Dow ticked higher by +0.25% to 23,685.42 and the NASDAQ Composite advanced +0.79% to 9,014.56. European stocks closed generally in the green the FTSE100 gaining +1.01% to 5,799.77, the DAX up +1.24% to 10,465.17, the CAC40 inched higher +0.11% to 4,277.63 and the Euro Stoxx 600 added +0.47% to 328.24. Crude oil recorded its third consecutive weekly gain, as signs of demand improved and supply cuts boosted sentiment. The International Energy Agency set the tone earlier in the week when it said the global oil market was improving, with demand a little stronger than expected. It increased its forecast for demand in Q2 by 3.2mb/d to 79.3mb/d. Shipping data suggest OPEC is reducing output sharply. According to Petro-Logistics, exports fell by 5.96mb/d in the first half of May. US supply is showing signs of slowing, with another 34 drill rigs idled. On the day, WTI advanced +5.0% to close the week at \$29.43, while Brent rose +1.9% Friday to \$32.50.

Elsewhere, the Dollar index rose +0.1% to 100.36, the EURUSD running up to 1.0846 and USDJPY dipping to 106.93. US Treasury yields were mixed, the 2y yield easing -0.6 bps to 0.145% and the 10y yield gaining +2.4 bps to 0.643%.

On the data front, US April retail sales fell -16.4% m/m as data across all sectors of the report undershot expectations, with the exception of non-store retailers. The preliminary May University of Michigan consumer sentiment index rose, with the lift in current conditions aided by the Treasury's comprehensive income support program and Fed monetary and credit measures. However, expectations declined further. Despite the recent fall in oil prices, one-year inflation expectations rose to +3% vs 2.1% and five- to ten-year expectation edged up to 2.6% vs 2.5%. US April manufacturing production plunged a record -13.2% m/m. However, the sharp bounce in the regional Empire State index for May was welcome and provided some hope that Q3 will see a rebound. New orders recovered to -42.4 vs -66.3 and employees jumped to -6.1 vs -55.3.

PRECIOUS

Gold had a strong session on Friday with gamma sellers easing their recent activity and continued safe-haven and ETF flows driving prices north. Gold consolidated above \$1730 during Asia on Friday, the metal dipping below a few times but finding support beneath there. Things ticked gradually higher during the London session, but it really took off during NYK, where the weak retail sales and manufacturing production bolstered demand. The yellow metal jumped a quick \$13 to \$1744 before retracing \$10, only to surge again towards \$1750. In the end we closed above the recent resistance levels at \$1743 – a bullish signal leading into the week. Silver was the standout last Friday smashing through the previous ceiling and running as high as \$16.72 – a two month high – and closing not too far from there at \$16.60. The grey metal has certainly played catch up the previous few sessions and looks strong still, with more upside potential. PGM's also closed modestly higher on the day, running up during NYK in line with the silver.

The metals have kicked off the week on strong footing following Friday's advance, silver again leading the charge with decent buying seen from a broad range of customers so far today. Gold kicked off the session and after a brief dip to the lows jumped aggressively higher through Friday's high. Once the SGE opened the discount was much reduced, trading around \$22 for onshore traders, which saw a surge of demand. This saw the yellow metal leap through \$1760 and it continues to look strong as I write, with pullbacks strongly bought into. Silver gapped higher on the open up around \$0.15 from Friday's close, pulling back briefly but then continuously rallying throughout the day to a peak of \$17.24. PGM's even played a bit of catch up, Pd in particular which stormed through \$2000, but ran into some heavy supply above there. Pt is also back above \$800 and looks good for now. Have a good day ahead.

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