

Daily Asia Wrap - 19th June 2020

Range Asian Hours
(from Globex open)

19-Apr-21	GOLD		SILVER		PLATINUM		PALLADIUM	
	Bid	Offer	Bid	Offer	Bid	Offer	Bid	Offer
OPEN	1777.40	1778.00	25.9850	26.0150	1204.50	1207.50	2774.50	2789.50
HIGH	1783.40	1784.00	26.0850	26.1150	1212.00	1215.00	2778.50	2793.50
LOW	1773.10	1773.70	25.7000	25.7300	1201.50	1204.50	2753.00	2768.00
LAST	1778.90	1779.50	25.8600	25.8900	1208.50	1211.50	2774.50	2789.50

MARKETS/MACRO

It was a strong finish to the week for risk assets last Friday, pushing higher as US data again signalled surging economic activity. The Dow rose +0.48% to 34,200.67, the S&P500 gained +0.36% to 4,185.47 and the Nasdaq inched up +0.1% to 14,052.34. Materials and utilities sectors led the gains on the day up +1.18% and 0.81% respectively, while the VIX risk gauge eased back -1.93% on the day to 16.25. European equities also closed out the week on positive footing, the FTSE100 advancing +0.52% to 7,019.53, the DAX rallying +1.34% to 15,459.75, the CAC40 climbing +0.85% to 6,287.07 and the Euro STOXX 600 pushed up +0.9% to 442.49. The dollar managed to claw back a bit of its losses from earlier in the week, though continues to hover around quite a number of key technical levels against most of the majors. The EUR continued to consolidate just below 1.20, while the USDJPY remains anchored around 109. Over the weekend, we got the Treasury's semi-annual report on currency regimes – the key takeaway being the Treasury's new flexible approach to FX manipulation – noting that the pandemic did cause distortions to FX valuations and hence will not look to penalize countries for taking extraordinary measures to support their respective economies. Elsewhere, treasuries were considerably flat to round out the week, the US 2y yield inching up +0.2 bps to 0.161% and the 10y yield ticking up +0.8 bps to 1.58%. Meanwhile, oil prices continued to push higher recording the biggest weekly gains since March as positive economic data raised confidence of stronger demand in the coming months. On the day, Brent rose +0.8% to \$66.77 and WTI accelerated +1.0% to \$63.13.

On the data front, the US housing market underwent a frenzy of activity in March, with housing starts rising +19.4% m/m to 1739k versus market expectations of a +13.5% rise. There was an element of catch up after bad weather hampered construction activity in February, but low interest rates, high savings rates, and a recovery in the labour market are also supporting the housing market. Building permits, which are a more forward-looking indicator of housing activity, increased +2.7% m/m, indicating that momentum in residential construction is likely to continue into the June quarter. Still in the US, the preliminary April read of the University of Michigan's Consumer Sentiment Index rose slightly to 86.5 from 84.9 –not quite as large as markets were expecting. More interestingly, one-year inflation expectations jumped up to +3.7% from +3.1% previously. However, longer run expectations remained steady.

PRECIOUS

Gold recorded its biggest weekly gain since December (+2.5%) amid slowing bond yields and a weaker USD. The metal continued to rise on Friday after a slow start in Asia with the metal contained with a narrow \$6 range between \$1760-66. Some early demand out of Europe on the back of the softer USD helped the metal push through \$1770, which prompted some momentum and model names to get involved. The metal ran higher through to the NYK open (\$1783.50 session high), before unwinding modestly. In the end it was a very subdued NY session, gold relegated to a tight \$1775-1780.50 range on light volumes. Physical demand continues to tick along, with Reuters estimating that around 150 tons worth of quotas have been granted by the PBoC and the Indian government reporting ~160 tons of imports in March. That said we are also seeing active producer selling, looking to hedge supply out until the back end of the year as well as ongoing ETF redemptions – which are moderating. Silver has seen spec interest over the past week on the break and hold of \$25. Money managers have cut their short positioning and been adding to their longs, pushing the gold-silver ratio modestly higher. China and India are not backing this up with physical demand however, both local markets trading at discounts to the London price. There does appear to be scope however in the short term to test back toward \$27.50-28 levels in our opinion. PGM's have veered off on alternate paths recently, palladium trading to within \$100 of its all-time highs on Friday (\$2779.50 Friday high) on the back of decent Japanese trading house demand and Chinese buying. Platinum however has had a rough trot, edging down to \$1155-60 support, but recovering back above \$1200 on

Thursday/Friday. The rally has stalled however above \$1200 and it will be interesting to see the next move.

Metals opened this morning more or less at closing levels from Friday. There was some optimistic spec demand around early prior to the SGE open which pushed gold silver and platinum to the day's respective highs. Once Shanghai opened, there was no desire to chase the metals higher however, silver in particular trading at a deeper discount ~-\$0.30 to -\$0.25, which weighed on the spot price. The white metal gave up the mornings gains and traded sharply back through \$26 to the lows. Gold and platinum quickly shrugged off their gains also and remained quiet and flat into the afternoon. Palladium was the outlier, which experienced profit taking throughout the morning, drying up over the afternoon and pushing back toward Friday's peak thereafter. Not a great deal in terms of data today, Eurozone BBG economic survey, Eurozone current account and Canadian housing starts the only points of note. Have a good day ahead.

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