



MKS PAMP
GROUP

Daily Asia Wrap - 1st June 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1735.30/80	17.96/99	827/37	1932/62
HIGH	1744.60/10	18.36/39	840/50	1953/83
LOW	1732.70/20	17.96/99	827/37	1932/62
LAST	1743.20/70	18.31/34	838/48	1953/83

MARKETS/MACRO

The White House stepped up its verbal criticism of China late in the Friday session, Trump escalating the verbal spat against China over its handling of the HK Security Bill, though did stop short of announcing actual measures. Markets shrugged off the tension as largely rhetoric for now and recovered their losses into the close while USDCNH retreated from the 7.19 level that it's been hugging for the better part of the last week. The DOW as a result eased -17.53 points (-0.07%) to 25,383.11, the S&P500 ticked up +14.58 points (+0.48%) to 3,044.31 and the NASDAQ rallied +138.81 points (+1.47%) to 9,555.52. European equity markets were lower on the day the FTSE100 sliding -2.29% to 6,076.60, the DAX retreating -1.65% to 11,586.85, CAC40 losing -1.59% to 4,695.44 and the Euro Stoxx 600 down -1.44% at 350.36. On the FX front, the theme that continues to dominate is of course of lower USD – playing out a bit this morning at the Asia open with the dollar trading heavy against most of its G10 peers, following chaotic rioting in the US at the weekend. Towards the tail end of last week, we did start to see more discretionary selling of AUD and sustained buying of yen by asset managers while Euro shorts were being unwound by a range of client segments. Elsewhere, crude surged as ongoing supply cuts and signs of rising demand helped to keep

things buoyant, WTI rallied +7.2% to \$35.49, while Brent climbed +8.1% to \$37.84.

US April consumer spending fell by a record amount, -13.6% m/m, as people cut back on non-essential spending during the lockdown. The largest declines were in food and beverages, restaurants and hotels. Meanwhile, household incomes rose by a record +10.5% m/m (exp: -5.9%, prev: -2.2%), even despite a -8% fall in salaries. The divergence was driven by the stimulus payments under the CARES Act, which saw a USD3trn rise in payments by the government. The divergence in incomes and spending led to a sharp rise in the person savings rate, to 33% – also a record. The PCE deflator rose by +0.5% y/y – the slowest since 1961. The final reading of University of Michigan consumer sentiment for May fell to 72.3. Interestingly, one-year inflation expectations rose to 3.2% – the highest level since 2014. Across the Atlantic, Euro area inflation fell to the lowest level in four years, at 0.1% y/y in May, led by a -12% drop in energy prices. Core inflation meanwhile was steady at 0.9%. The UK government's wage subsidy scheme will start to be gradually reduced from August. Firms will start paying National Insurance and pension contributions, then 10% of wages in September and 20% in October. The BoE Governor had said earlier in the week that benefit claims indicated unemployment had reached 10% already.

PRECIOUS

It was a strong session for the precious last Friday, with on-going safe haven demand pushing gold back towards the recent resistance zone (\$1735-40) and silver onto fresh 3 month highs just short of \$18.00. Decent buying on dips was seen throughout Asia for both gold and silver with both metals well bid throughout the European day. PGM's remained rather contained and rangebound relative to gold and silver.

Following the weekends developments in the US, with race-riots and looting breaking out in a number of major cities, gold and silver unsurprisingly opened on strong footing in Asia. Gold popped \$10 following the Globex open pushing through \$1740 although quickly pulling back beneath that level. Silver on the other hand was the outperformer, which went full steam ahead through \$18.00 and has so far not looked back, with continuous buying from spec names and retail pushing us well into the \$18's. AUD has also been higher on the day which has dampened producer selling, but for gold it appears there are decent sized selling orders on the run towards \$1750 (cash) in the futures market. China were good buyers of silver today and a little more neutral when it came to gold. I feel a bit of work ahead of \$1750 might be needed before breaching that level, while silver feels poised for a run toward \$19.25-50 area. It will be very interesting to see what news comes out of the US in the coming days, which will help to determine direction. Have a good day ahead.

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