



MKS PAMP  
GROUP

## Daily Asia Wrap - 22nd June 2020



Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1749.50/0.50	17.64/67	805/25	1912/42
HIGH	1758.50/9.50	17.99/02	815/35	1912/42
LOW	1744.40/5.40	17.64/67	805/25	1890/20
LAST	1752.20/3.20	17.89/92	810/30	1890/20

### MARKETS/MACRO

Equity markets ended the week on a more cautious note with COVID-19 cases continuing to rise in Southern US states and Boston Fed President Rosengren sounding out caution over the pace of the US recovery. The S&P500 retraced -0.56% to 3,097.74, the Dow slid -0.8% to 25,871.46 while the NASDAQ Composite held its ground creeping up slightly +0.03% to 9,946.12. The VIX gauge rose +6.62% to 35.12. European equities recovered earlier in the day, the DAX rising +0.4% to 12,330.76, the FTSE100 inclining +1.1% to 6,292.60, the CAC40 advancing +0.42% to 4,979.45 and the Euro Stoxx 600 adding +0.56% to close at 365.46. Meanwhile, the USD index firmed in line with the risk off sentiment, climbing +0.17% to 97.62, while US treasury yields were lower, the 2y yield dipping -0.6 bps to 0.186% and the 10y yield sliding back below 0.70% to close at 0.694%. Crude oil prices rose Friday amid signs of tightness in the oil market – WTI rising +1.3% to \$39.75 and Brent up +0.6% to \$42.19. Sentiment was buoyed by OPEC’s pledge to adhere more closely to agreed production cuts - Iraq telling the Joint Ministerial Monitoring Committee that it would cut further by 57k b/d in July and 258k b/d in Aug & Sep to make up for falling short in recent months. Falling inventories also helped support prices, with US stockpiles at Cushing, the delivery point for

WTI, contracting every week since early May. There is however still worrying signs ahead for the oil market with a second wave of COVID-19 cases in China and the US presenting a challenge for industry.

On the data front, UK May retail sales jumped +12.0% m/m and ex-auto fuel were up +10.2% m/m. The annual pace of decline, however, is still a negative -9.8% and retail sales remain 13% below their level in February before the lockdown started. The larger-than-expected bounce failed to provide the Sterling with support as Brexit fears continue to resurface and the debt-to-GDP ratio shot up to over 100%, its highest level in 57 years, due to the weakness in the economy and massive fiscal support. In continental Europe, EU leaders met to discuss the proposed Recovery Fund but failed to reach an agreement. Whilst the spirit of the talks was reported to be positive, there are still major differences of opinion over the size and content of the proposed ~EUR750bn package. Another summit is expected in the middle of next month with the EU Commission hoping to agree a deal before the August holiday season starts.

In Beijing, the number of cases of COVID-19 rose to over 200, but authorities state that the situation is well in hand. That's harder to claim for southern Sun Belt states in the US, with case numbers now rising exponentially in Arizona, Florida, and North and South Carolina. Cases are also pushing higher in Texas and California. Authorities have thus far insisted that a shutting of the US economy for a second time isn't an option.

### **PRECIOUS**

Gold had a strong session on Friday amidst a fresh wave of corona virus infections in the US and China and a softer equity market. Safe-haven buying was also spurred on by fresh Fed member rhetoric with St Louis Fed chair James Bullard saying that "we are definitely not out of the woods", while Cleveland's Loretta Mester said that ultra-easy monetary policy will be needed for "quite a while". Gold was well bid throughout the majority of the day, seeing some light physical and retail demand early on in the Asian session which helped push the metal from \$1722 up through \$1730 by late in the Asia afternoon. It did a bit of work either side of \$1730 throughout the European session, gathering more upward momentum when NYK traders began to man their desks. Strong buying from discretionary and asset managers throughout NYK helped push the metal to a peak of \$1744.80 in the middle of the day, then any dip back towards \$1740 was well supported into the close. ETF buying was also rampant with another 960k oz added on Friday alone. We closed out the day and week on positive footing at \$1743.00, after being in somewhat of a lull over the past few weeks. Silver continued to push higher on Friday in line with gold, hitting a peak of \$17.79 in NYK, although was unable to hold on to the gains as well as gold, dipping back to \$17.55 before ultimately closing toward \$17.65. Platinum could not hold onto the gains made in New York although still clung to hold onto the \$800 handle.

The market opened today and good safe-haven buying was seen once again from the onset. Gold opened higher and after a quick dip, pushed forward to test \$1750 a few times prior to the China open. Once they opened for business spot gold quickly jumped through \$1750 and pushed up to the days high shortly after. Modest producer selling and some fast money profit taking capped the upside and slowed the advance which eventually turned lower, but has held above \$1750 still so far. Silver took off at the China open as well trading just shy of \$18.00 so far and currently holding above \$17.90 and poised for another test of the \$18 resistance.

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