



MKS PAMP  
GROUP

## Daily Asia Wrap - 23rd March 2020



Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1500.60/00	12.59/62	608/11	1635/55
HIGH	1507.90/30	12.66/69	626/29	1655/75
LOW	1484.80/20	12.29/32	594/97	1605/25
LAST	1494.40/80	12.58/61	625/28	1650/70

### MARKETS/MACRO

Markets started a bit calmer on Friday night despite the efforts to fight the virus, but the mood deteriorated, with US equities closing at fresh lows. In Europe, the Euro Stoxx closed up +3.8%, the DAX up +3.7% and the FTSE up +0.8%. In the US, the S&P 500 closed off -4.3% and the Dow down -4.6%. Owing to the negative growth implications of the enforced restrictions, US fixed income rallied, with the yield on the US 10y note falling -30bps to 84.5bps. Europe's debt concerns continued to hover, but yields were lower across the board, with 10y bund yields down -12.8bps. WTI gave back all its gains and more following NY Cuomo's shutdown and tough words between Russia and Saudi Arabia. It fell -11.1% to USD22.43/bbl.

Monday is already turning out to be another very ugly session for global markets judging by how markets are opening here in Asia. Straight out of the gates US equity futures hit limit down again, something investors are becoming accustomed to over the past several days, while dollars have been lifted another leg higher by a wave of buying across the board. This comes after US Senate Democrats rejected the coronavirus rescue package put together by the Republicans at the weekend, arguing for less of an emphasis on corporate bailouts and tax

concessions and more on public health spending and economic assistance to households. Senate leader Nancy Pelosi committed to pushing forward a House bill, which at the minimum would take a few additional days. Given the state of markets and the gyrations we've seen, it will be likely to see some sort of compromise between the two sides in the coming days. Meanwhile, weekend news reports were flooded with the latest developments out of Europe with deaths across the continent exceeding 2000 over the two days. In Italy Conte's government moved ahead with locking down the entire country – all non-essential business activity having been curtailed as the nation's death toll alone now exceeds 5000.

As physical measures to fight the virus intensify, so does the required economic support. Germany is considering a EUR500bn fund to support businesses, through guaranteeing debt or taking direct equity stakes in firms. Nationalisations could surge. State aid restrictions are gone. The ECB eased capital requirements on banks, and the Fed will now buy muni debt. The UK announced a wage subsidy scheme of 80%, up to a limit higher than the median wage. In Australia, the government announced a \$66 bln scheme featuring cash handouts to firms, 6 month interest free loans of up to \$250k for small to medium sized businesses and 40-50% increases on welfare payments for job seekers.

### **PRECIOUS**

Gold prices rebounded lightly on Friday, after a tumultuous week that saw the precious complex caught up in an absolute wave of selling across all asset classes and in a climate where USD is king. On Friday the yellow metal remained within recent ranges, bouncing either side of \$1500 despite and overall increase in ETF's late in the week following some unwinding earlier. We still feel that the case for gold is strong, yet by no means immune from another wave of liquidation in case markets shut down, or, US equities hit new lows forcing repayment of margin loans on already cash strapped companies. Bottom line, there very well could be a replay of what played out a few weeks ago in gold to the downside, but we are certain gold will shine once again. Given the almost inevitable global recession oncoming and unbridled tide of monetary and fiscal policy being thrown at the economic fallout of COVID-19, gold should trade higher, it is just a matter of time. Silver last week, after slowly dawdling behind gold, really accelerated in terms of liquidation early to mid-week. After starting the week around \$16.80, the white metal plunged below \$12.00 mid-week and then consolidated between \$12.00-13.00 thereafter. Platinum seems a more enticing prospect given \$600 appears to be holding for now, while palladium remains a market under stress, with barely any liquidity and huge spreads – easily moving \$30-50 on a whim.

Gold opened and pushed immediately higher this morning to kick off the week in line with slumping equities and a strong dollar across the board. As we have seen a number of times on previous Monday's the weekends negative COVID-19 updates brings about panic buying but it just as quickly turns into aggressive selling. XAU fell to the lows within the opening 45 minutes, then proceeded to trade wildly either side of \$1495 into the Chinese open. There was some more liquidation following that but the mid \$1480's held and we have continued to hold a \$1490-95 range into the early afternoon. Silver was sold at the open dropping \$0.30 quite sharply before recovering into the Chinese open to trade back around the opening levels (\$12.60). The white metal has remained volatile on a spot basis, although there has been a mild improvement in the SGE premium. Have a happy and healthy day ahead everyone.

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