



MKS PAMP  
GROUP

## Daily Asia Wrap - 25th September 2020



Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
<b>OPEN</b>	1867.50/00	23.14/17	846/56	2216/46
<b>HIGH</b>	1872.00/50	23.25/28	858/68	2226/56
<b>LOW</b>	1861.90/40	22.76/79	843/53	2216/46
<b>LAST</b>	1872.00/50	23.20/23	857/67	2223/53

### MARKETS/MACRO

Markets took some solace in news that House Leader Nancy Pelosi and Treasury Secretary Steve Mnuchin have agreed in principle to restart fiscal stimulus talks, helping to send equities on a tentative recovery from its lows last night. This comes as risk assets continue to trade with a weak tone amid concerns of resurgent Covid-19 cases across the Northern Hemisphere and ahead of next month's earnings season. US equities enjoyed a modest bounce, the DJIA adding +0.20% to 26,815.44 points, the S&P 500 finishing +0.30% higher at 3,246.59 points, and the Nasdaq Composite advancing +0.37% to 10,672.267 points. Things were not so optimistic in Europe, with investors cautious over the growing number of COVID cases and potential ramp-up of lockdowns in the region. As a result, major indices buckled, the FTSE100 sliding -1.3% to 5,822.78, the DAX creeping down -0.29% to 12,606.57, the CAC40 declining -0.83% to 4,762.62 and the Euro Stoxx 600 down -1.02% to 355.85. In FX, there was renewed interest to establish some recent popular macro trades amid the position shakeout over the past few days. There was some demand for Euro's by CTA and model names which has kept it buoyant with it currently trading in the mid 1.16's. The DXY held reasonably firm (-0.1% on

the day) and the USDJPY was unchanged on the day. DB strategy believe the dollar “may continue to trade with a bid tone going into next week on the back of month end corporate demand”. Elsewhere, the 2y yield eased -0.5bps to 0.1367% and the 10y declined 1bp to 0.667%.

On the data front, US initial jobless claims lifted to +870k for the week, above the +840k expected figure and slightly above the upwardly revised number for the week prior (+866k). Continuing claims also came in slightly higher than expected (12.58m vs 12.275m), although did improve on the upwardly revised figure of 12.747m from a week earlier. New home sales for August in the US smashed expectations, rising +4.8% m/m on top of a near +15% rise the previous month (a -1.2% fall was expected). This marks the fourth monthly rise, helped by record-low mortgage rates, but also, anecdotally, people reassessing where they’d prefer to live in a pandemic world. This takes the annualised pace of sales to 1 million, the highest since 2007. Over to Britain, Chancellor of the Exchequer, Rishi Sunak, announced a plan to support employment as the furlough scheme ends in October. The key aspects of this will be a wage subsidy scheme for those who have seen their hours reduced, extended hardship loans for businesses and continuing the reduction in VAT for hospitality and tourism sectors. Even with the policies, Sunak said that the economy will undergo a more permanent adjustment with job losses and business closures unavoidable.

## **PRECIOUS**

The gold posted a modest intra-day gain on Thursday, recovering from a test toward \$1850 after finding some breathing room from a softer greenback. In Asia yesterday, supply towards \$1870 capped the market in early trade, with the metal declining throughout the afternoon on the back of steady Chinese and S/E Asian selling. Gold trudged along in a \$1849-1861 range during the European day and began to pick up steam in NYK as equities bounced back and the dollar began to edge lower. In the end we closed out the day at \$1868. First major support now for gold sits at \$1845 (100 dma) and we like buying dips toward that level for the interim. Silver continued its decline yesterday into fresh cycle lows of \$21.70 in Asia - right on the 100 dma. It bounced strongly off that level however, providing bulls with some sense of reassurance after a horrible week which has seen the metal shake off -13.5% (or -18.6% to the \$21.70 low). Buying picked up from private banks during the US session and the white metal closed strongly just off the highs at \$23.18. Platinum moved through the USD \$850 pivot late in trade after running into offers around that figure in Asia, while palladium consolidated above USD \$2,200.

There was some weakness around in early Asian trade this morning, gold coasting along just beneath \$1870, before some selling came in and pushed us below \$1865. It was reasonably modest price action as well as flow volume, but we saw consistent bids on the way down from longer term names. After gold hit the low we made a gradual recovery throughout the early afternoon to trade through \$1870, where we remain as I write. Silver broke down through \$23.00 shortly after the China open to a low of \$22.79 and has since recovered trading just short of the opening levels at present. Ahead on the data calendar today look out for US Durable Goods and Capital goods orders. Have a good day ahead and enjoy your weekend.

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