



MKS PAMP
GROUP

Daily Asia Wrap - 26th February 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1635.20/60	17.98/00	927/29	2711/31
HIGH	1646.00/40	18.18/20	934/36	2730/50
LOW	1634.60/00	17.98/00	927/29	2687/07
LAST	1644.20/60	18.12/14	930/32	2730/50

MARKETS/MACRO

COVID-19 developments dominated headlines once again yesterday, with more and more estimated impacts on global growth hitting the wires, investors are getting nervous. This devastating situation is evolving rapidly, with cases outside of China firmly in the spotlight. The potential economic impacts remain highly uncertain. Reduced trade and people flows, workplace absenteeism, supply chain disruption, and the impact on consumer and business sentiment are all going to weigh on growth. The trillion-dollar question is by how much and for how long? Croatia, Switzerland, Spain and Austria reported their first cases of the virus yesterday, while holiday makers in the Canary Islands (Tenerife) were quarantined after an Italian doctor tested positive. Italy now has 322 confirmed cases and some EU governments are advising against travelling to infected regions. Equities were once again a sea of red as a result, with the S&P500 down over -3.0% for a second consecutive day. The last time this happened was in August 2015 and before that 2008, 2002 and 1998 – so a rare event. The DOW plunged -3.15% to 27,081.36, the S&P500 closed down -3.03% at 3,128.21 and the NASDAQ Composite pulled back -2.77% to 8,965.613. European stocks were all smacked too, yet not to the same degree as their American counterparts – the FTSE100 slid -1.94% to 7,017.88, DAX gave back -1.88% to 12,790.49, CAC40 lost -1.94% and the Euro Stoxx 600 retreated -1.76% to 404.60. Safe-haven assets fared the best, with US 10y note yields falling -5 bps to 1.32%, retesting its record low.

Currencies were a mixed bag with the dollar sliding late in the day. Interestingly AUD held in relatively well considering the carnage on equity markets and risk off push, anchoring around 0.66 for now but still looking soft given the current economic climate.

US data was mixed on the day, The Conference Board's February measure of consumer confidence edged up to 130.7 vs a revised 130.4 in January. Expectations rose (107.8 vs 101.4) while the current assessment dropped (165.1 vs 173.9). Confidence remains elevated and while the dip in the present assessment could reflect some anxiety about COVID-19, the outlook is bright, implying private consumption should hold firm. In contrast to the other regional February manufacturing surveys, the Richmond Fed survey dropped to -2 vs 20 the prior month. The employment index fell to 8 vs 20 as firms reported difficulty in finding skilled labour. New orders plunged to -10 vs 13, capacity utilisation dropped to 2 vs 14 and the order backlog fell to -6 vs 9. The Richmond Fed region accounts for 9% of US GDP.

PRECIOUS

It was another choppy session for gold yesterday with the metal failing to rally despite the carnage going on in equity markets. Gold fell following the Asia open yesterday, smashing through \$1650 and running into some sizeable stops through there. We sharply fell toward \$1643 before any form of support was seen. When China came in it rallied back quite quickly above \$1650 where it held into the early afternoon. London traders came in aggressively on the offer however and the metal was smashed back to \$1634 area. It then managed to claw that back before NYK open and trade in a choppy \$1640-55 range. Late in the session however a huge wave of selling on the futures saw the market come crashing to a fresh low of \$1626. Perhaps all is not lost on gold, we are viewing this sell-off as a healthy cleanout given the overbought indicators and extreme length of both ETF's and CFTC holdings⁹². Elsewhere, the silver had a brutal correction dropping from \$18.94 on Monday night to \$17.90 late in the session yesterday. Longs have been clamouring to liquidate with fast money exiting in a pack. Palladium remains wild, with extreme moves and spreads making it very difficult to predict and platinum continues to languish.

Precious metals markets bounced back this morning as last night's late route was digested. There was a host of real money names in looking for bids in early trade and gold after opening at \$1635.50 pushed back as high as \$1646 as China opened for the day. Premium on the SGE remains negative to flat though and demand was modest on the exchange. Bids from real money names and specs began to reemerge later in the day although the metal held steady around \$1639-42 so far into the afternoon. Silver and platinum followed gold higher throughout the day, while Pd has remained flat. We expect Corona virus headlines to maintain the spotlight, with more cases in Korea and China being announced today. Volatility across all markets is expected to remain high. Have a good day ahead.

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