



MKS PAMP
GROUP

Daily Asia Wrap - 28th July 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1941.50/00	24.47/50	947/52	2305/25
HIGH	1980.10/60	26.20/23	960/65	2345/65
LOW	1933.50/00	24.10/13	920/25	2243/63
LAST	1942.70/20	24.50/53	930/35	2272/92

MARKETS/MACRO

USD weakness dominated financial markets ahead of what's going to be a busy week, with the FOMC decision and US Q2 GDP out Thursday and Friday respectively. Precious metals were also in focus with gold and silver continuing their unabated run and smashing through a number of key technical levels while zoning in on \$2000 and \$25.00 respectively. For equities, US indices were firmer the S&P500 tacking on 0.74% to 3,239.41, the DOW advancing +0.43% to 26,584.77 and the NASDAQ Composite leading the pack, rallying +1.67% to 10,536.27. In Europe it was the reverse, most major indices showing modest declines across the board – the FTSE100 fell -0.31% to 6,104.88, the CAC40 shed -0.34% to 4,939.62, the Euro Stoxx 600 eased -0.31% to 366.15 and the DAX remained flat at 12,838.66. Elsewhere, the weaker USD also helped boost investor appetite for crude oil (WTI +1.0% to \$41.60). With the market expecting Jerome Powell to announce the Fed will keep interest rates near zero for the foreseeable future, investors were happy to buy back into risky asset classes. Nevertheless, rising geopolitical tensions and the darkening economic backdrop meant the gains were limited. Traders are also facing the prospect of rising output from OPEC.

On the data front US durable goods orders rose +7.3% m/m in June as core orders, ex-defence and aircraft, rose +3.3% m/m. The pick-up in core orders was broad based. Machinery orders rose +2.7% m/m, electrical equipment orders were up +1.7% while primary and fabricated metals rose +3.6% m/m and +4.5% m/m respectively. Core shipments rose +3.4%. In other news, the July Dallas Fed manufacturing index recovered to -3.0 from -6.1 in June. That compares with a low of -74.0 in April. However, the six-month ahead outlook eased to 10.6 from 19.7 the prior month. Meanwhile, markets look to this week's US GDP release (out Thursday). The Atlanta Fed GDPNow index is signalling Q2 GDP contracted 34.3% saar, in line with the -35% saar consensus forecast. Across to Europe, Euro area M3 rose +9.2% y/y in June, up from +8.9% in May. That was just below expectations as the TLTRO programme continues to support the rise in business loan demand. Loans to NFCs were up +7.1% y/y in June compared to +7.3% y/y in May. Consumer credit growth, however, fell to 0.0% y/y from 0.4% in May and +1.3% y/y in April. In Germany, the July IFO survey beat expectations rising to 90.5 from 86.3. Expectations rose strongly to 97.0 from 91.6 and current conditions were 84.5, up from 81.3.

PRECIOUS

Talk overnight of the Republicans pushing another \$1 trillion stimulus package to aid the US economy provided another jolt lower for the USD, and prompted gold to push to fresh all-time highs (\$1945.20) and silver to rally an astonishing +7% to close just short of \$24.60. The dollar is now down some 8% from its peak in March, as the economic background continues to deteriorate. This has not been the only thing spurring demand for the metals however, with real yields turning negative, geopolitical tensions rising sharply and worrisome increases in COVID-19 infections in a host of European and Asian nations. Investors continue to pile into gold backed ETF's and there has been a marked rise in discretionary demand as well as Chinese based demand. Gold opened yesterday just above \$1900 and wasted no time in pushing through Friday's high of \$1906. Buying accelerated in the hour following the SGE open and gold pushed up to \$1945 effortlessly. It held a \$1930-45 range for the remainder of Europe and US sessions, with dips eagerly bought into and good selling seen from macro accounts, locking in delta from long held option positions ahead of \$1950. There was no stopping the bull-train that was silver yesterday – the white metal opening up proceedings around \$22.70 and closing more or less at the highs at \$24.60 (+7.5%). There was only really some long holding private banks and gamma longs on the offer and it was primarily Chinese buying that led the wave higher. PGM's were also stronger overnight in line with the lower USD.

An explosive Asian session today characterised by large volumes and aggressive moves in both gold and silver. From the open there was strong buying seen from discretionary, fast money and model accounts. Gold opened and proceeded in one direction higher, trading some \$20 higher before Chinese traders had even stepped in. Silver went along for the ride breezing through the \$25 mark without even flinching and continuing to \$25.50, where a bit of work was done. Both metals surged on to their respective highs in the hour after the SGE opened, with huge volumes going through the exchange. This was counter balanced by decent profit taking in Comex across both gold and silver with the gold hovering around \$1975 into the early afternoon and silver pushing through \$26.00 and holding there for a period. With no real catalyst, both metals collapsed during the early afternoon, gold plummeting from \$1975 to \$1935 and silver from \$25.75 to the XXXXXX low in a matter of 10 minutes. Weak longs were quick to bail and dragged the prices lower. Since then we have oscillated towards the lows. We see initial support for gold at \$1930-35 and \$24.05-20 in silver. Should be an interesting night tonight with London just about to step in - expect fireworks. All the best.

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