MKS PAMP
GROUP

Daily Asia Wrap - 29th April 2020

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1708.30/9.30	15.15/17	774/77	1915/45
HIGH	1713.30/4.30	15.22/24	779/82	1975/05
LOW	1703.80/4.80	15.09/11	771/74	1915/45
LAST	1711.30/2.30	15.20/22	776/79	1975/05

MARKETS/MACRO

Markets took a breath last night with risk assets moderating a touch after several consecutive sessions of gains. As widely expected, some bellwether industrial names posted bleak outlooks for the rest of the year, among them Caterpillar Inc, while others simply withdrew guidance all together - citing an unpredictable and challenging period ahead. The tone from the corporate community underscores just how detached risk assets are from their fundamentals at present with the S&P now astonishingly trading just 15% from its all-time high. This comes ahead of the Fed's decision later this evening where markets aren't expecting further cuts, though Powell's guidance will be closely scrutinised – especially the revised GDP estimates. In the end US equities closed marginally lower given current moves, with the S&P500 closing down -0.52% to 2,863.39, the DJIA shedding -0.13% to 24,101.55 and NASDAQ Composite easing -1.4% to 8,607.73. European indices moved higher on the whole as a number of member nations lay down blue-prints for lockdowns to be phased out. The DAX rose +1.27% to 10,795.63, the FTSE100 advanced +1.91% to 5,958.50, the CAC40 rallied +1.43% to 4,569.79 and the EuroStoxx 600 gained +1.68% to 341.09. The crude market was rocked by further volatility, as ETFs and index funds moved contract positions amid renewed concerns over negative prices in front-month contracts. WTI June futures came under immediate pressure, after S&P told its clients to sell their stakes in June contracts and move them into July. S&P runs the GSCI commodity index, which is tracked by pension funds and other global investors. This follows moves by the US Oil

Fund yesterday, when regulators forced the ETF to move positions in the June contract into longer dated contracts. WTI June futures threatened to fall below USD10/bbl during the session, yet the market eventually stabilised, and WTI futures ended the session down only -0.7%. Brent futures were initially caught up in the selling but buying late in the session saw it close up +3.3%. Elsewhere, the US 10y treasury closed -4 bps lower at 0.61%.

There was more poor data released out of the US overnight – with focus now shifting to the US advance estimate GDP and the FOMC – particularly Powell's press conference. US consumer confidence fell to 86.9 from 118.8 in April, with the 'present situation' sub-index collapsing 90.3 points to 76.4, reflecting the lockdown and surge in unemployment. For jobs, 22 million have been lost in the last five weeks. Interestingly, 'expectations' rose to 93.8 from 86.8 suggesting confidence in the future may be returning, following aggressive policy support and stimulus from the US Treasury and the Fed. The April Richmond Fed index plunged to -53 from +2 in March, with firms not expecting a rigourous rebound either with shipments for the next 6 months coming in at -7 vs -19 in March, and new orders for six months at -14 vs -20 in March. Meanwhile, the US advance goods trade deficit for March widened to USD64.2bn from USD59.9bn, led by a -6.7% m/m drop in exports and -2.3% drop in imports. The drop in exports was mainly concentrated in industrial supplies (capital goods) and the auto sector, reflecting both shutdowns in the US and weakness in demand overseas.

France will start to re-open schools in May and shops can reopen from 11 May. However, work from home will remain in place for another three weeks, movement across the country will be restricted and large public gatherings are banned until at least September. In Spain, lockdown restrictions will gradually be lifted over the next eight weeks depending on how COVID-19 evolves. Schools will not re-open until September. In Greece, schools will start to re-open from 11 May, and restaurants can from 1 June with conditions.

PRECIOUS

The gold price struggled overnight in spite of ongoing poor US data. Nevertheless, the yellow metal did remain resilient, trying below $1700 during both Asia and the NYK session, though running into systematic buying on the dips. It was a volatile session for gold and we expect this to remain in place for much of the week ahead of the upcoming FOMC and ECB meetings. Investors remain cautious ahead these meetings despite being more or less in agreement that both CB's will throw everything at the coming economic woes they can – it is more a question of for how long. Looking at the gold chart it looks like we have seen a sequence of tops around $1740, and could be vulnerable for further declines in the short term if we breach $1660-70 area. That said, medium-longer term - given the unprecedented stimulus seen on a global level – we remain friendly to the metal.

A consolidative, inside day for gold today with the metal initially opening on the soft side and then clawing back to push through the opening levels as I write. Gold opened lower and quickly sold off to the lows of the day, with some decent bids seen around $1705 (cash) on Globex. We ticked higher following the SGE open, with the discount on the exchange decreasing and heading back under $50 after trading above that for most of last week and this week. Gold moved through $1710 and has continued to gradually extend over the past 15 minutes. FOMC will be the key focus tonight – best of luck.