



MKS PAMP
GROUP

Daily Asia Wrap - 2nd June 2020



Range Asian Hours (from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1737.50/00	18.28/31	845/55	1952/82
HIGH	1743.60/10	18.36/39	855/65	1960/90
LOW	1735.60/10	18.12/15	837/47	1948/78
LAST	1739.20/70	18.19/22	838/48	1955/85

MARKETS/MACRO

Risk assets managed to carve out another gain despite the social unrest that's been gripping US cities for almost a week. Also dragging on risk sentiment, Bloomberg reported that China had halted some US farm imports including soybeans in a move that risks agitating their US counterparts after several weeks in which we've seen tensions between the two countries ramp up. The dollar continued to underperform as a result, continuing its multi-day sell off with the Dollar Index falling to 97.80, with support holding at 97.45 for now. US equities carved out some modest gains the Dow rising +0.36% to 25,475.02, the S&P500 up +0.38% to 3,055.73 and the NASDAQ Composite climbing +0.66% to 9,552.05. It was a mixed bag in Europe the FTSE100 rallying +1.48% to 6,166.42, the CAC40 rising +1.43% to 4,762.78, the Euro Stoxx 600 easing -0.36% to 354.20, while the DAX was closed. US treasuries yields softened over the course of the day the 2y dipping -0.3 bps to 0.158% and the 10y yield was flat at 0.66%. Crude oil prices rallied into the close Monday, as investors bet on OPEC extending its currently level of production cuts. President Putin and President Trump discussed the OPEC+ deal, with the Kremlin saying it had brought great stability to the oil market. A Bloomberg report suggests there is some support for OPEC+ extending the current production quotas another one to three months. The 23% cut in output was supposed to be in place for only May and June, before slightly higher quotas kicked in for H2 2020. The group is also considering bringing forward its

next planned meeting to the 4 June. Elsewhere, investors were buoyed by further falls in US drilling. Another 15 rigs were stood down, bring the total operating rigs to 222, which is the lowest since the financial crisis in 2009.

On the data front, the US May manufacturing ISM edged up to 43.1 from April's 41.5, as new orders lifted +4.7pts to 31.8. There was also very modest improvement in the labour market index to 32.1 from 27.5. That said, the latest Atlanta Fed GDPNow index probably better reflects the underlying state of the US economy than swings in the ISM. Its latest Q2 estimate fell to -51.8% saar last Friday. Elsewhere, the final May euro area manufacturing PMI was little changed from the preliminary read at 39.4 but still up from 33.4 in April. Italy's manufacturing recovery last month was notable as the index rose to 45.4 from 31.1, while Germany's May recovery was relatively muted at 36.6 vs 34.5 in April. Much of the difference has to do with variation in the timing of restrictions being lifted. While signs of a pick-up in EA manufacturing are welcome, the sector is still in contractionary mode and normalisation will take considerable time. The recovery in the employment index was weak (37.6 vs 35.8).

PRECIOUS

Safe-haven buying underpinned price action across the precious sector yesterday, amid rising geopolitical tensions and social unrest in the US. Gold popped higher at the Asia open as news filtered through about the escalating riots in a number of major US cities. It was silver however that was most impressive, opening and punching through \$18.00 with ease, before continuing to grind it's way to fresh 3 month highs over the remainder of the Asia afternoon. Gold rallied through \$1740 during Asia, however turned offered in Europe to test back down to \$1730 as gamma sellers were seen in force. Further safe-haven and physical demand waited at \$1730 however and the metal pushed back through \$1740 to close the NY session up +0.7% on the day.

Gold rallied from the open again this morning as more violent scenes from the Whitehouse were revealed by the media, with protesters again clashing with law enforcement. Trump also addressed the nation calling for calm and solidarity, hailing for all local governors to protect their cities and their people from violence at all costs. If they were to refuse, Trump said he would call in the national guard and do it for them. Gold jumped through \$1740 as a result but was unable to hold onto the gains, sliding back beneath that level at the Shanghai open. Since then it has been fairly whippy bouncing between \$1737-42. Silver has moved in tandem with gold, however was sold more aggressively at the China open. The white metal fell from the highs to the lows quite sharply as some Chinese banks swooped in to take profits on the open. Some good bids were seen below \$18.15 (cash) on Globex and we have held that level so far. Platinum and to a lesser extent palladium have also eased on the day, both still struggling to push and hold through key resistance levels. Have a good day ahead.

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