



MKS PAMP
GROUP

Daily Asia Wrap - 30th March 2020



Range Asian Hours
(from Globex open)

| | GOLD | SILVER | PLATINUM | PALLADIUM |
|------|---------------|----------|----------|-----------|
| OPEN | 1633.00/34.00 | 14.55/57 | 742/45 | 2265/95 |
| HIGH | 1633.80/34.80 | 14.56/58 | 749/52 | 2303/33 |
| LOW | 1613.40/14.40 | 13.90/92 | 715/18 | 2250/80 |
| LAST | 1615.30/16.30 | 14.01/03 | 719/22 | 2260/90 |

MARKETS/MACRO

Friday was a risk off session, following 2 days of recovery by equity markets as cases of COVID-19 across the US and Europe continued to rise. In the US at the weekend, infections neared 125,000 with the death toll rising to 2,000, while in Europe, it appears the epicentre is shifting over to Spain where fatalities have been rising for a third day in a row. Yesterday, the White House did offer some guidance as to when they expect the infection curve to flatten, with Trump saying that they expect the worst to peak in 2-3 weeks time with normalcy to return by June. This came as lead infectious diseases expert Anthony Fauci offered a more sceptical outlook, saying US coronavirus deaths could surpass 200,000. Meanwhile, Treasury officials have already started deliberations for a fourth stimulus package which could take the form of stronger entitlements for individuals and a gearing towards states with a larger virus burden. US equity markets experienced losses across the board Friday with the S&P500 retreating -88.6 pts (-3.37%) to 2,541.47, the Dow Jones sliding -915.39 pts (-4.06%) to 21,636.78 and the NASDAQ Composite falling -295.16 pts (-3.79%) to 7,502.38. With European leaders unable to come to an agreement on a coordinated fiscal response to the Corona virus outbreak, equities withered Friday. The FTSE100 gave up -5.25% to 5,510.33, the DAX shrugged off -3.68% to

9,632.52, the CAC40 dropped -4.23% to 4,351.49 and the Euro Stoxx 600 declined -3.26% to 310.90. Treasury yields ended the week sharply lower as COVID-19 infection rates continued to climb in the US, 10y UST yields were 17bp lower on the day, rounding out the week at 0.67%. Elsewhere, WTI was down -6.7% to USD \$21.51/bbl as Saudi Arabia dispelled rumours that they were in talks with Russia regarding output levels.

The world is facing a hugely deflationary shock at present. The WTI oil price has dropped from USD \$60 in January to around USD \$20. Demand for many goods has plummeted, as economic activity has gone into stasis. It's not clear how statistics agencies are going to measure the prices of things that currently can't be bought, but it's probably a fair guess that if retailers could offload their stock one suspects they'd do it at fire-sale prices. Yet this is also a supply shock, and there will be pockets of price pressure. Global freight logistics remain snarled, production of all kinds of goods is impacted, and food security is emerging as a worry for countries that are not self-sufficient. An increasing number of countries are introducing export bans on various foods, and some economies could see significant food price inflation, a known driver of social unrest.

PRECIOUS

Gold remains a clear winner from the unprecedented US fiscal measures to support the reeling economy – consolidating in a modest range on Friday, yet holding onto the \$1600 handle for now. Despite the weaker dollar and firmer US Gov bonds on Friday, gold did not manage to tick higher but still looks poised for higher prices given the economic climate and uncertainty. There has been quite a bit of discrepancy over the past week about the gold EFP, blowing out mid-last week briefly to towards \$50-60 over the spot price, as fears circulated that gold may have difficulty being delivered to the exchange. This cooled on Friday, with the EFP returning towards flat although looks to have blown out again this morning. This has led to some extreme spreads in the spot market over the past week, and confusion amongst market makers where the actual spot price is trading, and has likely held the metal price back somewhat as a result. We feel that once these issues with the EFP can be resolved and supply chains firmed up, there is further upside potential for the yellow metal. Silver had a more bumpy ride Friday, being well bid throughout much of the Asia session (trading around \$14.60) only to falter during NYK and come all the way back off to \$14.20, before closing out the week around \$14.40.

Gold and silver prices have pushed lower so far in Asia this morning, on modest volumes. The yellow metal traded after the open between \$1625-30 and we saw some selling creep in just before the SGE opened for the week, weighing us down towards \$1615. Silver had an even sharper drop pushing up to the days highs in the minutes after the open, then snapping back to \$14.30. Once Shanghai opened for the day, some modest offers crept in, but with little in the way of bids around we sharply fell off below \$14.00 and have struggled to get back through there since. PGM's have been under pressure with the silver, platinum opening around \$740 and trading down towards \$710, while palladium pushed higher on very thin volumes and has traded back to opening levels with little fanfare. Have a great day ahead.

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