



MKS PAMP
GROUP

Daily Asia Wrap - 3rd April 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1613.40/5.40	14.48/51	729/32	2206/36
HIGH	1617.10/9.10	14.51/54	730/33	2248/78
LOW	1608.90/0.90	14.37/40	724/27	2198/28
LAST	1610.90/2.90	14.40/43	724/27	2211/41

MARKETS/MACRO

News that Saudi Arabia and Russia could make significant oil production cuts boosted oil prices sharply yesterday, which had a positive impact on equities. The better risk tone came despite a dire doubling of US initial claims, and that is following the disastrous number a week earlier. Equities rallied with the S&P500 climbing +56.4 pts (+2.28%) to 2,562.90, the DJIA up +469.93 pts (+2.24%) to 21,413.44 and the NASDAQ Composite rising 126.73 pts (+1.72%) to 7,487.31. In Europe things were positive also, the DAX rose +0.27% to 9,570.82, the FTSE100 advanced +0.47% to 5,480.22, the CAC40 extended +0.33% to 4,220.96 and the Euro Stoxx 600 tacked on +0.42% to 312.08. The yield on the US 10y note rose 3bps to 0.62% and the bund yield was 2.5bps higher at -0.442%. Elsewhere, crude oil prices soared higher (WTI +19% to \$24.20/bbl) after reports major producers would cut production. President Trump tweeted that he has spoken with Russia and Saudi Arabia and that a 1-15mb/d production cut had been agreed to. Prices were up more than +35% at one point as a result, before news emerged that both countries denied agreeing to any production cut. Saudi Arabia did hold out an olive branch, calling for an urgent meeting of the OPEC+ alliance to reach a fair deal that would restore balance to the oil markets. However, ANZ strategists believe any agreement on

production cuts will have minimal impact on the oil market. The closing of borders and lockdowns has had a precipitous impact on oil demand. Flight activity has fallen by more than 60% over the past month, while traffic in the US and Europe is down 60% and 45% respectively.

On the data front, US initial jobless claims surged to 6.65 million in another week for the record books, following last week's record rise to 3.3 million. Cumulatively, this puts initial claims over the past two weeks at just under the 10 million mark. During the GFC, non-farm payrolls rose/fell 8 million. In the UK 950,000 people applied for income support benefits in 16-31 March period. That compares with an average of 100k applicants every two weeks. A survey from the British Chamber of Commerce suggests that the majority of firms have three months cash reserve or less and almost half of UK firms are expected to furlough at least 50% of their workforce. Evidence is also emerging in Europe that labour markets are suffering extreme stress. Non-farm payrolls data expected this evening, is expected to be soft, but the survey period is for early March, prior to the intensification of the COVID-19 crisis in the US. Tonight the most important piece of data will be the March non-manufacturing ISM. It is forecast to fall to 43.0 from 57.3. The low for the index during the GFC was 37.8, so risk of a sharper drop is very real.

PRECIOUS

The dark cloud hanging over the global economy, and the almost inevitable recession this will bring on a global scale continues to attract investors into the precious metals sector at present. Gold rallied a commendable \$1580-1620 yesterday, in spite of strength in the USD and equity markets. Gold EFP prices moved in the wake of higher levels (COMEX June EFP at +24), despite joint communication from the LBMA and CME Group stating metal stocks were/are near record highs both in London and NYK. Admittedly, the sharp fluctuations in EFP we have seen over the past week or so, was never a problem of stock or supply, rather the availability of CME specific bars. Gold yesterday was sold off throughout the Asia morning, holding above \$1580 and finding legs as European traders walked in. The buying continued through much of the London/NYK session, with strong inflows in the ETF space also witnessed. We closed around \$1610-12 area, with spreads still rather wide. Silver had a strong performance yesterday, after commencing the day sub \$14.00 in Asia, the white metal began to surge in the Asia afternoon, breaking through \$14.00 and quickly accelerating up to \$14.25. Private banks and macro's were buying in size, while Chinese names were selling on the move higher. Buying continued throughout the London & New York sessions and we closed just off \$14.50. PGM's showed signs of strength during the Asia afternoon, ultimately stalling thereafter and holding fairly flat for the rest of the day.

It was a reasonably slow session across the metals today gold and silver trading rather flat, a touch softer if anything, while palladium climbed and platinum made a very gradual decline. Not a great deal to report today to be honest, in what was a fairly classic, pre-NFP Asia session, where the metals just drift aimlessly. Volumes were down from what we have seen over the past week and investors seemed happy to just coast along. The SGE remains in steep discount and does not look like budging from either side of -\$15.00 compared to the Loco London price. Silver on the other hand after slumping towards a \$0.50 premium earlier in the week, looks to be holding firm above a +\$1.00 premium for now. Focus tonight will be on US data including, employment data, ISM and some PMI's. All the best and have a happy and safe weekend.

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