



MKS PAMP
GROUP

Daily Asia Wrap - 4th March 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1639.80/20	17.19/21	879/81	2494/14
HIGH	1652.40/80	17.32/34	888/90	2494/14
LOW	1639.60/00	17.17/19	878/80	2459/79
LAST	1642.70/10	17.24/26	887/89	2478/98

MARKETS/MACRO

The FOMC announced an emergency 50bp cut today but the action failed to alleviate pressure on risk markets as stocks, yields and the USD all ended the session lower. The USD spiked lower on the 10:00AM announcement of the 50bp cut (EURUSD spiked up to 1.12135, USDCHF fell to 0.95165 and AUDUSD rallied up to a high of 0.6646) before briefly retracing. Powell then held a press conference where he downplayed the need to use additional tools and reiterated that they expect the US will return to solid growth. He refrained from lending any insight as to what would cause the FOMC to take further easing action however. That lack of commitment to further easing seemed to spark a brief rally in the USD (and selloff in risk) – AUDUSD sold off back down to 0.6590 and EURUSD fell to 1.11405. The relentless move lower in UST yields (10Y fell to 0.90%, a new all-time low) then dragged stocks and XXXJPY lower through the afternoon as USDJPY sold off to 106.93. US equities rallied initially after the Fed announcement, although traders failed to see the positive, instead looking at the Fed's decision and weighing up the damage that COVID-19 must be doing to the economy. The DOW retreated -2.94% (-785.91 pts) to 25,917.41, the S&P500 plunged -2.81% (-86.86 pts) to 3,003.37 and the NASDAQ Composite fell -2.99% (-268.08 pts) to 8,684.09. European markets on the other hand closed higher the FTSE100 up +0.95%, DAX +1.08%, CAC40 +1.12% and the Euro Stoxx 600 closed +1.37% higher. Base metals were weaker as investors worried the US Fed's emergency

interest rate cut would not be enough to arrest the slide in economic growth. Copper prices initially jumped on the news of the interest rate cut, but then fell below USD5,700/t as doubts about its effectiveness emerged. The impact of the coronavirus continues to spread, with the industry's major gathering in Chile cancelled this week. CESCO has traditionally been the place concentrate terms have been negotiated, while the industry gathers to discuss the market dynamics.

On the data front Euro area headline CPI fell to +1.2% y/y in Feb – down from +1.4% – but aligned with expectations. The core CPI figure lifted to +1.2% (from +1.1%), while the PPI fell to -0.4% y/y. Euro area unemployment was unchanged in January at 7.4%. That backdrop illustrates the additional room for stimulus, and ECB President Lagarde now says the ECB will take the appropriate policy action, having been reticent to cut as recently as last Friday. Elsewhere, UK construction growth for February was much stronger than expected. The UK Markit CIPS Construction PMI leapt to 52.6 from 48.4 in January, its first expansion since April, indicating confidence in the economy.

PRECIOUS

Gold along with treasuries were the big winners overnight following the Fed's surprise to the market. With both the RBA and Federal Reserve cutting rates yesterday and a host of other central banks expected to follow suit, the argument to own gold only improved throughout the session. The yellow metal opened on the lows in Asia yesterday and there was some SE Asian and fast money bids which helped push us higher pre-Shanghai open. Gold jolted through \$1600 briefly right on the SGE open, on the back of a surging silver which tacked on \$0.20 to trade just short of \$17.00. Gold remained flat around the \$1594-1600 throughout the majority of the Asian and European sessions, although remained whippy within the narrow range. Early in the US morning a headline saying that G7 Finance ministers were prepared to act following any economic slowdown from the coronavirus, helped gold through \$1600 despite some strong offers there. 30 minutes later the Fed made their rate announcement and gold took off from \$1607 to trade as high as \$1649.20. Some profit taking was seen towards the end of the session falling back to the mid \$1620's, yet real-money investors took the opportunity to scoop up some cheap metal and propelled us into the close to \$1641. Both silver and palladium also surged following the Fed announcement, the former rocketing from \$16.85 to a peak of \$17.47 (+3.7%) and Pt jumping from \$860 to \$881.50 (+2.5%).

It has been a much quieter session in Asia thus far today with all the precious holding their ground, with the exception of Pd, which continues to fade. Gold opened pretty close to the low and was bid steadily over the opening 15-20 minutes to the days high of \$1652.40. Specs who missed the move overnight were the likely buyers on the initial move and longer-term players. Eventually though there was some profit taking seen and the metal eased back into a \$1640-45 range for the rest of the afternoon. If we continue to see central banks cut rates, in combination with a healthier positioning profile following last weeks wash-out, one would think gold at \$1700+ is credible. All the best.

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