Daily Asia Wrap - 6th April 2020

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1620.70/2.70	14.39/42	721/24	2157/87
HIGH	1621.80/3.80	14.47/50	738/41	2190/20
LOW	1609.90/1.90	14.24/27	720/23	2157/87
LAST	1617.20/9.20	14.46/49	731/34	2195/25

MARKETS/MACRO

Risk remained on the defensive on Friday following a horrible NFP print out of the US, where 701,000 jobs were lost for the month of March, toppling expectations of a -100k hit, with COVID-19 rattling the US labour market. What is concerning is that the March numbers don't even capture the the worst period for job losses imposed by the lockdown on public movement, with some analysts expecting the April number to potentially surpass -5 million! This comes as lawmakers in congress are said to be preparing another stimulus package which could pass both houses as early as this month as new data shows just how pervasive the mounting liquidity squeeze on US households is becoming. The negative data saw equity markets in the US slide, with the Dow Jones shaking off -360.91 pts (-1.69%) to 21,052.53, the S&P500 slipping -38.25 pts (-1.51%) to 2,488.65 and NASDAQ Composite retreating -114.23 pts (-1.53%) to 7,373.08. The mood in Europe was equally grim as the Corona virus continued to rack up mounting casualties, the DAX down -0.47% to 9,525.77, the FTSE100 slipping -1.18% to 5,415.50, CAC40 losing -1.57% to 4,154.58 and the Euro Stoxx 600 index shedding -0.97% to 309.06. It was another extraordinary day in the crude oil market Friday, futures rallying more than 20% (WTI $28.36), bringing the two-day gain to more than 40%, as hope grew that producers will cut. After President Trump kicked things off with a call of 10-15mb/d cut, producers quickly moved to talking up the possibility of a unified approach to the current collapse in demand. OPEC called for a meeting of the old OPEC+ alliance for Monday 6 April. Both Russia and Saudi Arabia suggested they would be willing to cut production, yet only if the rest of the world followed. The cracks started to appear early however, the OPEC meeting now delayed to later this week, and while the meeting is open to any producer, there is uncertainty surrounding involvement of the US shale industry. In any case, the actions are likely 'too little too late' as the market is already awash with crude due to global demand decreasing from the Coroner virus. 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 non-farm payrolls fell -701k, the eighth-largest drop on record, yet much worse is to come as the lockdowns intensified after the survey week (ended 14 March). The unemployment rate jumped to 4.4% vs 3.5%, while average hourly earnings held up pretty well at +0.4% m/m, up +3.1% y/y (3.0%). Most job losses across sectors were in hospitality and leisure (-459k). As the lockdowns have since broadened to affect all sectors, including retail, jobs loss across all industries are expected in April. Meanwhile the headline drop in the non-manufacturing ISM was the biggest monthly drop since 2008. It was artificially supported by rising delivery times, which normally reflect strong demand, but this time it reflects the lockdown. Elsewhere, the euro area's final March composite PMI was 29.7, down from the flash estimate of 31.4 and 51.6 in February, with all categories plunging. The Euro area services employment index fell -9.9pts, suggesting that government packages have not got out quickly enough to stop redundancies. Early evidence points to a dramatic rise in joblessness in the European Union, with ANZ bank analysts proposing a number of around 30 million people losing of furloughing jobs due to the COVID-19 lockdown. If this occurs, the fiscal implications will be dramatic. Budget deficits and debt-to-GDP will rise sharply, possibly by upwards of ~15% of GDP. Any inadequate fiscal support for highly indebted countries, or future fiscal straightjackets, would then pose existential risks to both the EU and the euro.

PRECIOUS

The rising unemployment in the US prompted some investor appetite during the US hours on Friday, helping gold to push above $1620 late in the day before some late profit taking saw us close a few dollars higher. Asia remained very subdued on Friday – in what was a very typical pre-NFP session bound within a ~$7 range. There was some chopping around prior to the release with gold briefly dipping to the $1611.50 low, before jumping following the NFP release. Despite, the sharp dip in the NFP, the reaction for gold was relatively muted – perhaps investors were just well aware that the number was going to be terrible. Gold flows into ETF's remain strong and continue to absorb liquidation from the East, with our mid term bullish belief remaining intact. Silver was exceptionally choppy on Friday, in what was a more contained range. During London/NYK sessions the metal traversed $14.25-14.50 no less than about 4 times, with ETF liquidation apparent and some private bank buying taking place on the dips.

Markets today so far have been very subdued and rangebound, despite the EFP's remaining very wide. Gold opened and ticked lower initially along with crude, after it opened very softly following headlines from the weekend that the OPEC+ meeting was going to be further delayed and that some parties may not be attending. Gold dipped after the open finding some support around $1610 (cash) before snapping to the days high and then returning to the mid-$1610's prior to the SGE open. From there the yellow metal has remained quite stable in a slow-going $4 range $1615.50-1619.50. Silver tracked gold for the most part and platinum and palladium have both pushed higher on very thin volumes and limited flow. Have a good day ahead.