



MKS PAMP  
GROUP

## Daily Asia Wrap - 8th April 2020



Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1648.00/50.00	14.98/01	739/42	2192/12
HIGH	1651.80/53.80	15.02/05	741/44	2200/20
LOW	1640.90/42.90	14.90/93	730/33	2170/90
LAST	1650.30/52.30	15.00/03	737/40	2185/05

### MARKETS/MACRO

A rather bumpy session overnight for risk assets where we saw US equities posting a strong performance at the open with major indexes up close to +3.5% at one point, pushing the S&P into bull market territory before slumping into the closing bell. Investors of course, pausing to take stock of the gains we've seen in the last few weeks as early data suggests that epidemic curves may be beginning to flatten. In the end the S&P500 closed marginally lower down -4.27 pts (-0.16%) at 2,659.41, the DJIA eased -26.13 pts (-0.12%) and NASDAQ Composite decreased -25.98 pts (-0.33%) to 7,887.26. Across the pond the flattening of the COVID-19 contraction rate helped invigorate investors somewhat and push major indices higher. The DAX rallied +2.79% to 10,356.70, the CAC40 rose +2.12% to 4,438.27, the Euro Stoxx 600 gained +1.88% to 326.61 and the FTSE100 advanced +2.19% to 5,704.45 – the latter helped by news that Boris Johnson remains in intensive care, but is in 'good spirits'. Also helping the risk off tone, we saw oil trade particularly heavy into the close yesterday even as OPEC+ is set to meet on Thursday this week (WTI -7%). It seems even though there is substantial hope being placed on an output cut of sorts, there still remain a substantial set of challenges ahead and there is of course, no guarantee that things will not fall apart. The Iranian oil minister struck at the heart of these challenges, reiterating that “there needs to be an agreement on oil production numbers before any future meeting between OPEC and non-Opec members”.

On the data front yesterday, the US NFIB, which measures sentiment among small businesses, fell a record -8.1 pts to 96.4 pts – its lowest level since October 2016. In the GFC the index fell to 81.6 pts. In the US, job openings fell -130k to 6.9m in February, indicating the US economy was already slowing before the COVID-19 outbreak. Across the Atlantic, German industrial production data for February outperformed expectations by rising +0.3%, however, the Ifo index measure of production expectations slumped to -20.8pts (from 2.0pts). During the GFC, this index fell 13.3pts. The data was mainly collated by mid-March, indicating it may underestimate the worsening sentiment. Food & beverage was the only sector to remain positive.

Japan's Prime Minister, Shinzo Abe, declared a state of emergency in Tokyo and six other prefectures, and plans to combat the economic fallout of COVID-19 with a huge fiscal stimulus package. The package, worth JPY16.5trn, equates to 20% of GDP. European leaders are meeting to discuss a policy tool-kit potentially worth up to EUR540bn (3.8% of GDP). However, it will be challenging to get broad agreement from European leaders on the debt mutualisation plan. In the US, Treasury Secretary, Steven Mnuchin, is seeking an additional USD250bn for small business loans.

## **PRECIOUS**

Gold opened strongly in Asian trade yesterday, continuing on the strength seen throughout the NYK session. We opened just under \$1670 and the metal continued to push up through \$1675, with some very wide spreads seen in the spot market – courtesy of another blow out in the COMEX gold EFP, which traded out to \$50.00+. By the time China opened the spot market had slipped back to \$1665 and continued to ease towards the mid \$1650's with some resting support around there. Late in the Asia session and around the time European traders began to man their desks (or their home computers), there was a brief uptick before a wave of Asian selling took us towards \$1645. It remained a choppy session throughout Europe and into NYK with spreads remaining wide – at times spot spreads blowing out to \$5.00 or more. In the end we closed out the day just beneath \$1650, giving back some of Monday's gains, but still on solid footing. Silver was more subdued, spiking sharply after the open through \$15 and heading up to a high of \$15.47 on the back of stop loss buying. Profit taking was plentiful up above \$15.40 however and the bids were easily absorbed. We tracked back lower around the middle of the Asian day and held a \$15.00-15.20 range into London and NYK, sliding right near the days close to slip back beneath \$15.00.

Again metals markets seem to be less frantic during Asian trade, with gold so far trading \$10 range on modest volumes. We have so far seen decent macro demand on dips below \$1445, which seems to be good support for now. Meanwhile some model and Chinese based selling above \$1650 has contained us within the current range. Silver has tracked gold so far and has tested \$15.00 a number of times so far this morning, yet so far has been unsuccessful in breaching it. It feels like some needed consolidation before a potential next leg higher for both metals. All the best and great day ahead.

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