



MKS PAMP
GROUP

Daily Asia Wrap - 8th June 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1682.80/3.80	17.37/40	816/19	1935/85
HIGH	1694.20/5.20	17.65/68	828/31	1950/00
LOW	1677.50/8.50	17.32/35	814/17	1933/83
LAST	1694.20/5.20	17.65/68	828/31	1947/97

MARKETS/MACRO

May non-farm payrolls rose an unexpected +2.5 million last Friday, which was much better than the median expectations for -7.5 million job losses, as the lockdown in the US eased. Private sector payrolls rose +3.094m while government jobs fell -585k. Employment rose sharply in sectors where job losses were the heaviest in March and April: leisure and hospitality, construction, retail and dental. While it is encouraging that temporary job losses can be reversed so quickly, the data still shows 19.5 million fewer jobs in May than there were in February, and permanent unemployment is rising. For now, though, the headline unemployment rate fell to 13.3% vs 14.7% previously, defying expectations for a rise to 19.5%. Trump said that the data showed his administration was doing the right thing, yet still called for additional stimulus and tax cuts. The surprise rise in the labour market saw global risk markets rally Friday on the assumption that the experience of the North American jobs markets will likely be repeated elsewhere – ie. that temporary joblessness will fall quite quickly as lockdowns are lifted. The S&P500 climbed +81.58 pts (+2.62%) to 3,193.93, the DJIA surged +829.16 pts (+3.15%) to 27,110.98 and the NASDAQ Composite climbed +198.27 pts (+2.6%) to 9,814.08. In European equities the gains were equally as strong, the DAX rising +3.36% to 12,847.68, the FTSE100 up +2.25% to 6,484.30, the CAC40 advancing 3.71% to 5,197.79 and the Euro Stoxx 600 rising +2.48% to 375.32. Crude oil rallied strongly, WTI up +5.7% on Friday to \$39.55/bbl and with

OPEC+ agreeing to extend output cuts for another month over the weekend, WTI has surpassed \$40.00/bbl this morning. Elsewhere, the yield on the US 10-year note rose +7bps to 89.5bps as curve steepening remained a dominant theme. The benchmark German bund yield rose +4.7bps to -28bps.

On the data front, China's trade balance hit a record high with exports down -3.3% versus last May, which was half the fall expected. Meanwhile, the value of imports plummeted nearly -17% y/y, helped significantly by lower commodity prices. Despite all we've seen so far this month, we do still have an action packed week ahead with the Fed convening this Wednesday. Most expect the June meeting to mark a first step away from a focus on crisis prevention towards more traditional goals of providing accommodation to support the recovery. Deutsche Bank research expect the Fed to announce an open-ended QE program consistent with monthly Treasury purchases of between \$65bn and \$85bn.

PRECIOUS

Gold dialled back on Friday following the much stronger than anticipated recovery in the US job market. During the Asia session on Friday we saw some systematic liquidation as specs unwound some of their longs leading into the NFP number later that day. So, the yellow metal slowly edged lower throughout London as well pushing down towards \$1700 after opening at \$1715. In NYK once the figure dropped, heavy liquidation was seen from a plethora of accounts, which saw the metal plunge through \$1700 and through \$1690 support to a low of \$1673. Gold recovered off the lows later in the session ultimately closing underneath \$1690-95, which remained good support for the past few weeks. The CFTC CoTR was also consistent with last week's observation on the ETF data, in that speculators are flowing out of the metal, comforted in doing so by the steepening USD curve (the 2Y10Y is back towards march's highs). Given the impulsive increase in US jobs, and the likelihood this trend will be replicated in other countries as lockdowns are eased, we think there is further scope for more immediate downside, potentially a test of the 100 dma at ~\$1645. Silver had a heavy session as well last Friday, declining -1.7% and moving beneath \$17.50. It continued to grind lower in unison with gold but managed to find support around the \$17.22 fibonacci retracement level.

Gold and silver continued to recover this morning as some physical/retail bargain hunters had some pent up demand at the lower levels. Gold after a quick fall to the low just after the Globex open, gradually continued to grind higher through the session pushing back towards \$1690, where some gamma and producer selling was evident. As I write we are still holding close to the daily highs. For silver it was a similar story, a quick spit lower early in the day before recovering throughout and trading on the highs as I write. There was some decent sized COMEX selling around the \$17.50-55 (cash), but this was all fairly easily absorbed. Key focus this week will be on the FOMC (Wednesday), with clearer direction likely after that. Have a good day ahead.

Although the information in this report has been obtained from and is based upon sources MKS believes to be reliable, we do not guarantee its accuracy and it may be incomplete or condensed. All opinions and estimates constitute MKS' judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as investment advice, offer or solicitation for the purchase or sale of an investment. This report does not consider or take into account the investment objectives or financial situation of a particular party.